केंद्र शासनाचे सन २००९-१० या वर्षाचे आयकर कपातीबाबतचे परिपत्रक

महाराष्ट्र शासन,
वित्त विभाग,
मंत्रालय, मुंबई - ४०० ०३२
शासन परिपत्रक क्रमांक : संकीर्ण - १०१०/प्र.क्र. ९/कोषा-प्र-५
दिनांक : १५ फेब्रुवारी, २०१०.

वाचा : केंद्र शासनाचे वित्त मंत्रालयाचे परिपत्रक क्रमांक: १/२०१० (एफ क्र. २७५/१९२/ २००९/ आयटी (बी)), दिनांक ११.०१.२०१०

परिपत्रक -- केंद्र शासनाच्या वित्त मंत्रालयाने निर्गमित केलेले दिनांक ११.०१.२०१० चे सन २००९-१० या वर्षाचे आयकर कपातीबाबतचे परिपत्रक क्रमांक: १/२०१० (एफ क्र. २७५/१९२/ २००९/आयटी (बी) सहपत्रासह या परिपत्रकान्वये वित्त विभागाच्या **finance.mah.nic.in** या संकेतस्थळावर तसेच महाराष्ट्र शासनाच्या **www.maharashtra.gov.in** या संकेतस्थळावर उपलब्ध करण्यात आले असून त्याचा संगणक संकेतांक २०१००२१६३०९५७००१ असा आहे.

सर्व मंत्रालयीन प्रशासकीय विभागांनी केंद्र शासनाच्या वर नमूद केलेल्या परिपत्रकातील माहिती त्यांच्या नियंत्रणाखालील सर्व विभाग प्रमुख / कार्यालय प्रमुखांच्या निदर्शनास आणावी व आवश्यक ती कार्यवाही करण्यात यावी.

महाराष्ट्राचे राज्यपाल यांच्या आदेशानुसार व नावाने,

(अनंत म. जाधव)
कार्यासन अधिकारी

प्रत,
१. मा.राज्यपालांचे सचिव
२. मुख्यमंत्र्यांचे सचिव
३. मुख्य सचिवांचे स्वीय सहायक
४. मंत्रालयीन सर्व प्रशासकीय विभागांचे अपर मुख्य सचिव / प्रधान सचिव / सचिव
५. मंत्रालयीन प्रशासकीय विभागांच्या नियंत्रणाखालील सर्व विभाग प्रमुख व कार्यालय प्रमुख
६. सर्व मंत्री व राज्यमंत्री यांचे स्वीय सहायक
७. प्रधान सचिव, महाराष्ट्र विधानमंडळ सचिवालय, मुंबई
८. सचिव, महाराष्ट्र लोकसेवा आयोग
९. प्रबंधक, मूळ न्याय शाखा, उच्च न्यायालय, मुंबई
१०. प्रबंधक, अपील शाखा, उच्च न्यायालय, मुंबई
११. प्रबंधक, उच्च न्यायालय खंडपीठ औरंगाबाद, औरंगाबाद
१२. प्रबंधक, उच्च न्यायालय खंडपीठ नागपूर, नागपूर
१३. प्रबंधक, महाराष्ट्र प्रशासकीय न्यायाधिकरण, मुंबई

१४. महालेखापाल (लेखा परीक्षा)-१, महाराष्ट्र, मुंबई
१५. महालेखापाल (लेखा व अनुज्ञेयता)-१, महाराष्ट्र, मुंबई
१६. महालेखापाल (लेखा परीक्षा)-२, महाराष्ट्र, नागपूर
१७. महालेखापाल (लेखा व अनुज्ञेयता)-२, महाराष्ट्र नागपूर
१८. सर्व जिल्हाधिकारी
१९. सर्व जिल्हा परिषदांचे मुख्य कार्यकारी अधिकारी
२०. सर्व महानगरपालिकांचे मुख्य लेखापाल
२१. अधिदान व लेखा अधिकारी, वांद्रे / मुंबई
२२. सर्व कोषागार अधिकारी
२२. निवासी लेखा अधिकारी, मुंबई
२३. निवड नस्ती, कोषा ५

INCOME TAX DEDUCTION

FROM SALARIES DURING

2009-10

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
CENTRAL BOARD OF DIRECT TAXES

DEDUCTION OF TAX AT SOURCE — INCOME–TAX DEDUCTION FROM SALARIES UNDER SECTION 192 OF THE INCOME–TAX ACT, 1961 DURING THE FINANCIAL YEAR 2009-2010

CIRCULAR NO.1/2010
F.No.275/192/2009IT(B)]

NEW DELHI, dated the 11th January,2010

INDEX

CIRCULAR NO.: 1/2010

F.No. 275/192/2009-IT(B)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes
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New Delhi, dated the 11th January,2010

SUBJECT: INCOME-TAX DEDUCTION FROM SALARIES DURING THE FINANCIAL YEAR 2009-2010 UNDER SECTION 192 OF THE INCOME-TAX ACT, 1961.

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Reference is invited to Circular No.08/2007 dated 5.12.2007 whereby the rates of deduction of income-tax from the payment of income under the head "Salaries" under Section 192 of the Income-tax Act, 1961, during the financial year 2008-2009, were intimated. The present Circular contains the rates of deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2009-2010 and explains certain related provisions of the Income-tax Act. The relevant Acts, Rules, Forms and Notifications are available at the website of the Income Tax Department-

www.incometaxindia.gov.in.

2. FINANCE ACT,2009

As per the Finance Act, 2009, income-tax is required to be deducted under Section 192 of the Income-tax Act 1961 from income chargeable under the head "Salaries" for the financial year 2009-2010 (i.e. Assessment Year 2010-2011) at the following rates:

RATES OF INCOME-TAX

A. Normal Rates of tax:

1. Where the total income does not exceed Rs.1,60,000/-.	Nil
2. Where the total income exceeds Rs.1,60,000 but does not exceed Rs.3,00,000/-.	10 per cent, of the amount by which the total income exceeds Rs.1,60,000/-
3. Where the total income exceeds Rs.3,00,000/- but does not exceed Rs.5,00,000/-.	Rs.14,000/- plus 20 per cent of the amount by which the total income exceeds Rs.3,00,000/-.
4. Where the total income exceeds Rs.5,00,000/-.	Rs.54,000/- plus 30 per cent of the amount by which the total income exceeds Rs.5,00,000/-.

B. Rates of tax for a woman, resident in India and below sixty-five years of age at any time during the financial year:

1. Where the total income does not exceed Rs.1,90,000/-.	Nil
2. Where the total income exceeds Rs.1,90,000 but does not exceed Rs.3,00,000/-.	10 per cent, of the amount by which the total income exceeds Rs.1,90,000/-
3. Where the total income exceeds Rs.3,00,000/- but does not exceed Rs.5,00,000/-.	Rs. 11,000/- plus 20 per cent of the amount by which the total income exceeds Rs.3,00,000/-.
4. Where the total income exceeds Rs.5,00,000/-.	Rs.51,000/- plus 30 per cent of the amount by which the total income exceeds Rs.5,00,000/-.

C. Rates of tax for an individual, resident in India and of the age of sixty-five years or more at any time during the financial year:

1. Where the total income does not exceed Rs.2,40,000/-.	Nil
2. Where the total income exceeds Rs.2,40,000 but does not exceed Rs.3,00,000/-.	10 per cent, of the amount by which the total income exceeds Rs.2,40,000/-
3. Where the total income exceeds Rs.3,00,000/- but does not exceed Rs.5,00,000/-.	Rs.6,000/- plus 20 per cent of the amount by which the total income exceeds Rs.3,00,000/-.
4. Where the total income exceeds Rs.5,00,000/-.	Rs.46,000/- plus 30 per cent of the amount By which the total income exceeds Rs.5,00,000/-.

Surcharge on Income tax:

There will be no surcharge on income tax payments by individual taxpayers during FY 2009-10 (AY 2010-11).

Education Cess on Income tax:

The amount of income-tax shall be further increased by an additional surcharge (Education Cess on Income Tax) at the rate of **two percent** of the income-tax.

Additional surcharge on Income Tax (Secondary and Higher Education Cess on Income-tax):

From Financial Year 2007-08 onwards, an additional surcharge is chargeable at the rate of **one percent** of income-tax (not including the Education Cess on income tax).

Education Cess, and Secondary and Higher Education Cess are payable by both resident and non-resident assessees.

3.SECTION 192 OF THE INCOME-TAX ACT,1961: BROAD SCHEME OF TAX DEDUCTION AT SOURCE FROM "SALARIES".

Method of Tax Calculation:

3.1 Every person who is responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries" for the financial year 2009-2010. The income-tax is required to be calculated on the basis of the rates given above and shall be deducted on average at the time of each payment. No tax will, however, be required to be deducted at source in any case unless the estimated salary income including the value of perquisites, for the financial year exceeds Rs.1,60,000/- or Rs.1,90,000/- or Rs.2,40,000/-, as the case may be, depending upon the age and gender of the employee.(Some typical examples of computation of tax are given at **Annexure-I**).

Payment of Tax on Non-monetary Perquisites by Employer:

3.2 An option has been given to the employer to pay the tax on non-monetary perquisites given to an employee. The employer may, at his option, make payment of the tax on such perquisites himself without making any TDS from the salary of the employee. The employer will have to pay such tax at the time when such tax was otherwise deductible i.e. at the time of payment of income chargeable under the head salaries to the employee.

Computation of Average Income Tax:

3.3 For the purpose of making the payment of tax mentioned in para 3.2 above, tax is to be determined at the average of income tax computed on the basis of rate in force for the financial year, on the income chargeable under the head "salaries", including the value of perquisites for which tax has been paid by the employer himself.

ILLUSTRATION:

Suppose that the income chargeable under the head ‘salary’ of a male employee below sixty-five years of age for the year inclusive of all perquisites is Rs.4,50,000/-, out of which, Rs.50,000/- is on account of non-monetary perquisites and the employer opts to pay the tax on such perquisites as per the provisions discussed in para 3.2 above.

STEPS:

Income Chargeable under the head "Salaries" inclusive of all perquisites:	Rs. 4,50,000
Tax on Total Salaries(including Cess):	Rs. 45,320
Average Rate of Tax [(45,320/4,50,000) X 100]:	10.07%
Tax payable on Rs.50,000/- (10.07% of 50,000):	Rs. 5,035
Amount required to be deposited each month: (5,035/12)	Rs. 420

The tax so paid by the employer shall be deemed to be TDS made from the salary of the employee.

Salary From More Than One Employer:

3.4 Sub- section (2) of section 192 deals with situations where an individual is working under more than one employer or has changed from one employer to another. It provides for deduction of tax at source by such employer (as the tax payer may choose) from the aggregate salary of the employee who is or has been in receipt of salary from more than one employer. The employee is now required to furnish to the present/chosen employer details of the income under the head "Salaries" due or received from the former/other employer and also tax deducted at source there from, in writing and duly verified by him and by the former/other employer. The present/ chosen employer will be required to deduct tax at source on the aggregate amount of salary (including salary received from the former or other employer).

Relief When Salary Paid in Arrear or Advance:

3.5 Under sub-section (2A)of section 192 where the assessee, being a Government servant or an employee in a company, co-operative society, local authority, university, institution, association or body is entitled to the relief under Sub-section (1) of **Section 89**, he may furnish to the person responsible for making the payment referred to in Para (3.1), such particulars in Form No. 10E duly verified by him, and thereupon the person responsible as aforesaid shall compute the relief on the basis of such particulars and take the same into account in making the deduction under Para(3.1) above.

Explanation *:- For this purpose "University means a University established or incorporated by or under a Central, State or Provincial Act, and includes an institution declared under section 3 of the University Grants Commission Act, 1956(3 of 1956), to be University for the purposes of the Act.*

However with effect from 1/04/2010 (AY 2010-11) *that no such relief shall be granted in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public*

sector company referred to in sub-clause (i) of clause (10C) of section 10 (read with Rule 2BA), a scheme of voluntary separation, if an exemption in respect of any amount received or receivable on such voluntary retirement or termination of his service or voluntary separation has been claimed by the assessee under clause (10C) of section 10 in respect of such, or any other, assessment year

[Form 12C has been omitted by the IT(24th Amendment) Rules, 2003 w.e.f. 1.10.2003.

3.6 (i) Sub-section (2B) of section 192 enables a taxpayer to furnish particulars of income under any head other than "Salaries" and of any tax deducted at source thereon. Form no. 12C, which was earlier prescribed for furnishing such particulars**)**, has since been omitted from the Income Tax Rules. However, the particulars may now be furnished in a **simple statement**, which is properly verified by the taxpayer in the same manner as was required to be done in Form 12C.

(ii) Such income should not be a loss under any such head other than the loss under the head "Income from House Property" for the same financial year. The person responsible for making payment (DDO) shall take such other income and tax, if any, deducted at source from such income, and the loss, if any, under the head "Income from House Property" into account for the purpose of computing tax deductible under section 192 of the Income-tax Act. However, this sub-section shall not in any case have the effect of reducing the tax deductible (except where the loss under the head "Income from House Property" has been taken into account) from income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account'. In other words, the DDO can take into account any loss (negative income)only under the head "income from House Property" and no other head for working out the amount of total tax to be deducted. While taking into account the loss from House Property, the DDO shall ensure that the assessee files the declaration referred to above and encloses therewith a computation of such loss from House Property.

(iii) Sub-section (2C) lays down that a person responsible for paying any income chargeable under the head "salaries" shall furnish to the person to whom such payment is made a statement giving correct and complete particulars of perquisites or profits in lieu of salary provided to him and the value thereof in form no. 12BA. **(Annexure-II). Form no. 12BA alongwith form no. 16, as issued by the employer, are required to be produced on demand before the Assessing Officer in terms of Section 139C of the Income Tax Act.**

Conditions for Claim of Deduction of Interest on Borrowed Capital for Computation of Income From House Property

3.7(i) For the purpose of computing income / loss under the head `Income from House Property' **in respect of a self-occupied residential house**, a normal deduction of Rs.30,000/- is allowable in respect of interest on borrowed capital. However, a deduction on account of interest up to

a maximum limit of Rs.1,50,000/- is available if such loan has been taken on or after 1.4.1999 for constructing or acquiring the residential house and the construction or acquisition of the residential unit out of such loan has been completed within three years from the end of the financial year in which capital was borrowed. Such higher deduction is not allowable in respect of interest on capital borrowed for the purposes of repairs or renovation of an existing residential house. To claim the higher deduction in respect of interest upto Rs.1,50,000/-,the employee should furnish a certificate from the person to whom any interest is payable on the capital borrowed, specifying the amount of interest payable by such employee for the purpose of construction or acquisition of the residential house or for conversion of a part or whole of the capital borrowed, which remains to be repaid as a new loan.

3.7(ii)The essential conditions for availing higher deduction of interest of Rs.1,50,000/- **in respect of a self-occupied residential house** are that the amount of capital must have been borrowed on or after 01.4.1999 and the acquisition or construction of residential house must have been completed within three years from the end of the financial year in which capital was borrowed. There is no stipulation regarding the date of commencement of construction. Consequently, the construction of the residential house could have commenced before 01.4.1999 but, as long as its construction/ acquisition is completed within three years, from the end of the financial year in which capital was borrowed the higher deduction would be available in respect of the capital borrowed after 1.4.1999. It may also be noted that there is no stipulation regarding the construction/ acquisition of the residential unit being entirely financed by capital borrowed on or after 01.4.1999.The loan taken prior to 01.4.1999 will carry deduction of interest up to Rs.30,000/ only. However, in any case the total amount of deduction of interest on borrowed capital will not exceed Rs.1,50,000/- in a year.

Adjustment for Excess or Shortfall of Deduction:

3.8 The provisions of sub-section (3) of Section 192 allow the deductor to make adjustments for any excess or shortfall in the deduction of tax already made during the financial year, in subsequent deductions for that employee within that financial year itself.

TDS on Payment of Balance Under Provident Fund and Superannuation Fund:

3.9 The trustees of a Recognized Provident Fund, or any person authorized by the regulations of the Fund to make payment of accumulated balances due to employees, shall, in cases where sub-rule(1) of rule 9 of Part A of the Fourth Schedule to the Act applies, at the time when the accumulated balance due to an employee is paid, make there from the deduction specified in rule 10 of Part A of the Fourth Schedule.

3.10 Where any contribution made by an employer, including interest on such contributions, if any, in an approved Superannuation Fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the Fund

to the extent provided in rule 6 of Part B of the Fourth Schedule to the Act.

Salary Paid in Foreign Currency:

3.11 For the purposes of deduction of tax on salary payable in foreign currency, the value in rupees of such salary shall be calculated at the prescribed rate of exchange.

4.PERSONS RESPONSIBLE FOR DEDUCTING TAX AND THEIR DUTIES:

4.1. Under clause (i) of Section 204 of the Act the "persons responsible for paying" for the purpose of Section 192 means the employer himself or if the employer is a Company, the Company itself including the Principal Officer thereof.

4.2. The tax determined as per para 6 should be deducted from the salary u/s 192 of the Act.

Deduction of Tax at Lower Rate:

4.3. Section 197 enables the tax-payer to make an application in form No.13 to his Assessing Officer, and, if the Assessing Officer is satisfied that the total income of the tax-payer justifies the deduction of income-tax at any lower rate or no deduction of income tax, he may issue an appropriate certificate to that effect which should be taken into account by the Drawing and Disbursing Officer while deducting tax at source. In the absence of such a certificate furnished by the employee, the employer should deduct income tax on the salary payable at the normal rates: **(Circular No. 147 dated 28.10.1974.)**

Deposit of Tax Deducted:

4.4. According to the provisions of section 200, any person deducting any sum in accordance with the provisions of Section 192 or paying tax on non-monetary perquisites on behalf of the employee under Section 192(1A), shall pay the sum so deducted or tax so calculated on the said non-monetary perquisites, as the case may be, to the credit of the Central Government in prescribed manner (vide Rule 30 of the Income-tax Rules,1962). In the case of deductions made by, or, on behalf of the Government, the payment has to be made on the day of the tax-deduction itself. In other cases, the payment has to be made within one week from the last day of month in which deduction is made.

Interest, Penalty & Prosecution for Failure to Deposit Tax Deducted:

4.5 If a person fails to deduct the whole or any part of the tax at source, or, after deducting, fails to pay the whole or any part of the tax to the credit of the Central Government within the prescribed time, he shall be liable to action in accordance with the provisions of section 201. Sub-section (1A) of section 201 lays down that such person

shall be liable to pay **simple interest** at one percent for every month or part of the month on the amount of such tax from the date on which such tax was deductible to the date on which the tax is actually paid. Such interest, if chargeable, has to be paid before furnishing of quarterly statement of TDS for each quarter. Section 271C lays down that if any person fails to deduct tax at source, he shall be liable to pay, by way of **penalty**, a sum equal to the amount of tax not deducted by him. Further, section 276B lays down that if a person fails to pay to the credit of the Central Government within the prescribed time the tax deducted at source by him, he shall be **punishable with rigorous imprisonment for a term which shall be between 3 months and 7 years, along** with **fine.**

Furnishing of Certificate for Tax Deducted:

4.6 According to the provisions of section 203, every person responsible for deducting tax at source is required to furnish a certificate to the payee to the effect that tax has been deducted and to specify therein the amount deducted and certain other particulars. This certificate, usually called the "TDS certificate", has to be furnished within a period of one month from the end of the relevant financial year. Even the banks deducting tax at the time of payment of pension are required to issue such certificates. In the case of employees receiving salary income (including pension), the certificate has to be issued in Form No.16. However, in the case of an employee who is resident in India and whose income from salaries does not exceed Rs.1,50,000/-, the certificate of deduction of tax shall be issued in Form No. 16AA (Specimen form 16AA enclosed as **ANNEXURE-III).** It is, however, clarified that there is no obligation to issue the TDS certificate (Form 16 or Form 16AA) in case tax at source is not deductible/deducted by virtue of claims of exemptions and deductions. As per section 192, the responsibility of providing correct and complete particulars of perquisites or profits in lieu of salary given to an employee is placed on the person responsible for paying such income i.e., the person responsible for deducting tax at source. The form and manner of such particulars are prescribed in Rule 26A, Form 12BA, Form 16 and Form 16AA of the Income-tax Rules .

Information relating to the nature and value of perquisites is to be provided by the employer in Form no. 12BA in case of salary above Rs.1,50,000/-. In other cases, the information would have to be provided by the employer in Form 16 itself. In either case, Form 16 with Form 12BA or Form 16 by itself will have to be furnished within a period of one month from the end of relevant financial year.

An employer, who has paid the tax on perquisites on behalf of the employee as per the provisions discussed in paras 3.2 and 3.3, shall furnish to the employee concerned a certificate to the effect that tax has been paid to the Central Government and specify the amount so paid, the rate at which tax has been paid and certain other particulars in the amended Form 16.

The obligation cast on the employer under Section 192(2C) for furnishing a statement showing the value of perquisites

provided to the employee is a serious responsibility of the employer, which is expected to be discharged in accordance with law and rules of valuation framed thereunder. Any false information, fabricated documentation or suppression of requisite information will entail consequences therefore provided under the law. The certificates in form no.12BA and form no. 16 are to be issued on tax-deductor's own stationery within one month from the close of the financial year i.e. by April 30 of every year. If he fails to issue these certificates to the person concerned, as required by section 203, he will be liable to pay, by way of penalty, under section 272A, a sum which shall be Rs.100/- for every day during which the failure continues.

Option to issue TDS Certificates by way of digital signatures:

4.7 Since the requirement of annexing the TDS certificates with the return of income has been dispensed with, the TDS certificates will be now issued only for the purpose of personal record of the deductees subject to the condition that they may be required to produce the same on demand before the Assessing Officer in terms of section 139C, inserted by the Finance Act, 2007. The TDS claim made in the return of income is also required to be matched with the e-TDS returns furnished by the deductors. Assessing Officers may, if considered necessary, also write to the deductors for verification of the correctness of the taxes deducted or other particulars mentioned in the certificate. It has been decided for the proper administration of this Income-tax Act to allow the deductors, at their option, in respect of the tax to be deducted at source from income chargeable under the head Salaries to use their digital signatures to authenticate the certificates of deduction of tax at source in Form No. 16. The deductors will have to ensure that TDS certificates in Form No. 16 bearing digital signatures have a control No. with log to be maintained by the employer (deductor). The deductor will ensure that its TAN and the PAN of the employee are correctly mentioned in such Form No. 16 issued with digital signatures. The deductors will also ensure that once the certificates are digitally signed, the contents of the certificates are not amenable to change by anyone. The Income-tax authorities shall treat such certificate with digital signatures as a certificate issued in accordance with rule 31 of the Income-tax Rules, 1962.(Circular No.2/2007 dated 21.5.2007).

Mandatory Quoting of PAN and TAN:

4.8 According to the provisions of section 203A of the Income-tax Act, it is obligatory for all persons responsible for deducting tax at source to obtain and quote the Tax-deduction Account No. (TAN) in the *challans*, TDS-certificates, statements and other documents. Detailed instructions in this regard are available in this Department's Circular No.497 (F.No.275/118/87-IT(B) dated 9.10.1987). **If a person fails to comply with the provisions of section 203A, he will be liable to pay, by way of penalty, under section 272BB**, a sum of ten thousand rupees. Similarly, as per Section 139A(5B), it is obligatory for persons deducting tax at source to quote PAN of the persons from whose income tax has been deducted in the statement furnished

u/s 192(2C), certificates furnished u/s 203 and all returns prepared and delivered as per the provisions of section 200(3) of the Income Tax Act, 1961.

4.9 All tax deductors/collectors are required to file the TDS returns in Form No.24Q (for tax deducted from salaries). As the requirement of filing TDS/TCS certificates has been done away with, the lack of PAN of deductees is creating difficulties in giving credit for the tax deducted. It has, therefore, been decided that TDS returns for salaries, i.e. Form No. 24Q with **less than 95% of PAN data will not be accepted during FY 2009-10.** Tax deductors and tax collectors are, therefore, advised to quote correct PAN details of all deductees in the TDS returns, failing which the TDS returns will not be accepted and all penal consequences under the Income Tax Act will follow. Taxpayers liable to TDS are also advised to furnish their correct PAN with their deductors, failing which they will also face penal proceedings under the Income Tax Act.

Quarterly Statement of TDS:

4.10. The person deducting the tax (employer in case of salary income), is required to file Quarterly Statements of TDS for the periods ending on 30th June, 30th September, 31st December and 31st March of each financial year, duly verified, to the Director General of Income Tax (Systems) or M/s National Securities Depository Ltd (NSDL). These statements are required to be filed on or before the 15th July, the 15th October, the 15th January in respect of the first three quarters of the financial year and on or before the 15th June following the last quarter of the financial year. **The requirement of filing an annual return of TDS has been done away with w.e.f. 1.4.2006. The quarterly statement for the last quarter filed in Form 24Q (as amended by Notification No. S.O.704(E) dated 12.5.2006) shall be treated as the annual return of TDS.**

It is now mandatory for all offices of the Government, companies, deductors who are required to get their accounts **audited under section** 44AB of the Income Tax Act or where the number of deductees' records in a quarterly statement for any quarter of the immediately preceding financial year is equal to or more than **fifty to file quarterly statements of TDS on computer media only in accordance with the "Electronic Filing of Returns of Tax Deducted at Source Scheme, 2003" as notified vide Notification No. S.O. 974 (E) dated 26.8.2003. (ANNEXURE-IV) . The quarterly statements are to be filed by such deductors in electronic format with the e-TDS Intermediary at any of the TIN Facilitation Centres, particulars of which are available at www.incometaxindia.gov.in and at http://tin.nsdl.com**. If a person fails to furnish the quarterly statements in due time, he shall be liable to pay by way of penalty under section 272A(2)(k), a sum which shall be Rs.100/- for every day during which the failure continues. However, this sum shall not exceed the amount of tax which was deductible at source.

The Quarterly Statements are be filed on computer media only in accordance with rule 31A of the Income-tax Rules, 1962. **These Quarterly Statements compulsorily require quoting of the Tax Deduction Account Number (TAN) of the tax-deductor and the**

Permanent Account Number(PAN) of the employees whose tax has been deducted. Therefore, all Drawing and Disbursing Officers of the Central and State Governments/ Departments, who have not yet obtained TAN, must immediately apply for and obtain TAN. Similarly, all employees (including non-resident employees) from whose income, tax is to be deducted may be advised to obtain PAN, if not already obtained, and to quote the same correctly, as otherwise the credit for the tax deducted cannot be given. A penalty under section 272B of Rs.10,000/- has been prescribed for willfully intimating a false PAN.

4.11. A return filed on the prescribed computer readable media shall be deemed to be a return for the purposes of section 200(3) and the Rules made thereunder, and shall be admissible in any proceeding thereunder, without further proof of production of the original, as evidence of any contents of the original.

***Challans* for Deposit of TDS:**

4.12. While making the payment of tax deducted at source to the credit of the Central Government, it may be ensured that the correct amount of income-tax is recorded in the relevant *challan*. It may also be ensured that the right type of *challan* is used. The relevant *challan* for making payment of tax deducted at source from salaries is ***challan* no. ITNS-281.** Wherever the amount of tax deducted at source is credited to the Central Government through book adjustment, care should be taken to ensure that the correct amount of income-tax is reflected therein.

TDS on Income from Pension:

4.13. In the case of pensioners who receive their pension from a nationalized bank, the instructions contained in this circular shall apply in the same manner as they apply to salary-income. The deductions from the amount of pension under section 80C on account of contribution to Life Insurance, Provident Fund, NSC etc., if the pensioners furnish the relevant details to the banks, may be allowed. Necessary instructions in this regard were issued by the Reserve Bank of India to the State Bank of India and other nationalized Banks vide RBI's Pension Circular(Central Series) No.7/C.D.R./1992 (Ref. CO: DGBA: GA (NBS) No.60/GA.64(11CVL)-/92) dated the 27th April, 1992, and, these instructions should be followed by all the branches of the Banks, which have been entrusted with the task of payment of pensions. Further all branches of the banks are bound u/s 203 to issue certificate of tax deducted in Form 16 to the pensioners also vide CBDT **circular no. 761 dated 13.1.98.**

New Pension Scheme

The New Pension Scheme(NPS) has become operational since 1st Jan, 2004 and is mandatory for all new recruits to the Central Government Services from 1st January, 2004. Since then it has been opened to employees of State Governments, Private Sector and **Self Employed** (both organized and unorganized).

The income received by the NPS trust is exempt. The NPS trust is exempted from the Dividend Distribution Tax and is also exempt from the Securities Transaction Tax on all purchases and sales of equities and derivatives. The NPS trust will also receive income without tax deduction at source. **The above amendments are retrospectively effective from 1/4/09 (AY 2009-10) onwards**

Important Circulars:

4.14. Where Non-Residents are deputed to work in India and taxes are borne by the employer, if any refund becomes due to the employee after he has already left India and

has no bank account in India by the time the assessment orders are passed, the refund can be issued to the employer as the tax has been borne by it: **Circular No. 707 dated 11.7.1995.**

4.15. TDS certificates issued by Central Government departments which are making payments by book adjustment, should be accepted by the Assessing Officers if they indicate that credit has been effected to the Income Tax Department by book adjustment and the date of such adjustment is given therein. In such cases, the Assessing Officers may not insist on details like *challan* numbers, dates of payment into Government Account etc., but they should in any case satisfy themselves regarding the genuineness of the certificates produced before them : **Circular No. 747 dated 27.12.1996.**

4.16 There is a specific procedure laid down for refund of payments made by the deductor in excess of taxes deducted at source, vide **Circular No. 285 dated 21.10.1980.**

4.17 In respect of non-residents, the salary paid for services rendered in India shall be regarded as income earned in India. It has been specifically provided in the Act that any salary payable for rest period or leave period which is both preceded or succeeded by service in India and forms part of the service contract of employment will also be regarded as income earned in India.

5. ESTIMATION OF INCOME UNDER THE HEAD "SALARIES"

5.1 Income chargeable under the head "Salaries".

(1) The following income shall be chargeable to income-tax under the head "Salaries" :

(a) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not;

(b) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him.

(c) any arrears of salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year.

(2) For the removal of doubts, it is clarified that where any salary paid in advance is included in the total income of any person for any previous year it shall not be included again in the total income of the person when the salary becomes due. Any salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as "Salary".

Definition of Salary:

(3)"Salary" includes wages, fees, commissions, perquisites, profits in lieu of, or, in addition to salary, advance of salary, annuity or pension, gratuity, payments in respect of encashment of leave etc. It also includes the annual accretion to the employee's account in a recognized provident fund to the extent it is chargeable to tax under rule 6 of Part A of the Fourth Schedule of the Income-tax Act. Contributions made by the employer to the account of the employee in a recognized provident fund in excess of 12% of the salary of the employee, along with interest applicable, shall be included in the income of the assessee for the previous year. **Any contribution made by the Central Government or any other employer to the account of the employee under the New Pension Scheme as notified vide Notification No. F.N. 5/7/2003- ECB&PR dated 22.12.2003(enclosed as Annexure-IVA) referred to in section 80CCD (para 5.4(C) of this Circular) shall also be included in the salary income.** Other items included in salary, profits in lieu of salary and perquisites are described in Section 17 of the Income-tax Act. It may be noted that, since salary includes pensions, tax at source would have to be deducted from pension also, if otherwise called for. However, no tax is required to be deducted from the commuted portion of pension which is exempt, as explained in clause (3) of para 5.2 of this Circular.

(4) Section 17 defines the terms "salary", "perquisite" and "profits in lieu of salary".

Perquisite includes:

a) The value of rent free accommodation provided to the employee by his employer;

b) The value of any concession in the matter of rent in respect of any accommodation provided to the employee by his employer;

c) The value of any benefit or amenity granted or provided free of cost or at concessional rate in any of the following cases:

i) By a company to an employee who is a director of such company;

ii) By a company to an employee who has a substantial interest in the company;

iii) By an employer (including a company)to an employee, who is not covered by (i) or (ii) above and whose income under the head Salaries (whether due from or paid or allowed by one or more employers), exclusive of the value of all benefits and amenities not provided by way of monetary payment, exceeds Rs.50,000/-.

What constitute concession in the matter of rent have been prescribed in explanation 1 to 4 below 17(2)(ii)of the Income Tax Act, 1961.

With effect from 1/04/2010 (AY 2010-11) it is further clarified that the value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the assessee, shall be constituted as perquisites in the hand of employees.

Explanation.—For the purposes of this sub-clause,—

(a) "specified security" means the securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and, where employees' stock option has been granted under any plan or scheme therefore, includes the securities offered under such plan or scheme;

(b) "sweat equity shares" means equity shares issued by a company to its employees or directors at a discount or for consideration other than cash for providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called;

(c) the value of any specified security or sweat equity shares shall be the fair market value of the specified security or sweat equity shares, as the case may be, on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from the assessee in respect of such security or shares;

(d) "fair market value" means the value determined in accordance with the method as may be prescribed;

(e) "option" means a right but not an obligation granted to an employee to apply for the specified security or sweat equity shares at a predetermined price;

The amount of any contribution to an approved superannuation fund by the employer in respect of the assessee, to the extent it exceeds one lakh rupees; and

The value of any other fringe benefit or amenity as may be prescribed.

It is further provided that ***'profits in lieu of salary'*** shall include amounts received in lump sum or otherwise, prior to employment or after cessation of employment for the purposes of taxation.

The rules for valuation of perquisite are as under : -

I. Accommodation :- For purpose of valuation of the perquisite of unfurnished accommodation, all employees are divided into two categories: I)Central Govt. & State Govt. employees; and ii)Others.

For employees of the Central and State governments the value of perquisite shall be equal to the licence fee charged for such accommodation as reduced by the rent actually paid by the employee.

For all others, i.e., those salaried taxpayers not in employment of the Central government and the State government, the valuation of perquisite in respect of accommodation would be at prescribed rates, as discussed below:

a. Where the accommodation provided to the employee is **owned by the employer**, the rate is 15% of 'salary' in cities having population exceeding 25 lakh as per the 2001 census. The rate is 10% of salary in cities having population exceeding 10 lakhs but not exceeding 25 lakhs as per 2001 Census. For other places, the perquisite value would be 7 1/2% of the salary.
b. Where the accommodation so provided is **taken on lease/ rent by the employer**, the prescribed rate is 15% of the salary or the actual amount of lease rental payable by the employer, whichever is lower, as reduced by any amount of rent paid by the employee.

For **furnished accommodation**, the value of perquisite as determined by the above method shall be increased by-

i) 10% of the cost of furniture, appliances and equipments, or

ii) where the furniture, appliances and equipments have been taken on hire, by the amount of actual hire charges payable.

- as reduced by any charges paid by the employee himself.

"Accommodation" includes a house, flat, farm house, hotel accommodation, motel, service apartment guest house, a caravan, mobile home, ship etc. However, the value of any accommodation provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site or a dam site or a power generation site or an off-shore site will not be treated as a perquisite. However, such accommodation should either be located in a “remote area” or where it is not located in a “remote area”, the accommodation should be of a temporary nature having plinth area of not more than 800 square feet and should not be located within 8 kilometers of the local limits of any municipality or cantonment board. A project execution site for the purposes of this sub-rule means a site of project up to the stage of its commissioning. A "remote area" means an area located at least 40 kilometers away from a town having a population not exceeding 20,000 as per the latest published all-India census.

If an accommodation is provided by an employer in a hotel the value of the benefit in such a case shall be 24% of the annual salary or the actual charges paid or payable to such hotel, whichever is lower, for the period during which such accommodation is provided as reduced by any rent actually paid or payable by the employee. However, where in cases the employee is provided such accommodation for a period not exceeding in aggregate fifteen days on transfer from one place to another, no perquisite value for such accommodation provided in a hotel shall be charged. It may be clarified that while services provided as an integral part of the accommodation, need not be valued separately as perquisite, any other services over and above that for which the employer makes payment or reimburses the employee shall be valued as a perquisite as per the residual clause. In other words, composite tariff for accommodation will be valued as per these Rules and any other charges for other facilities provided by the hotel will be separately valued under the residual clause. Also, if on account of an employee's transfer from one place to another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value as per the table prescribed in Rule 3 of the Income Tax Rules, for a period up to 90 days. However, after that the value of perquisite shall be charged for both accommodations as prescribed.

II Personal attendants etc.: The value of free service of all personal attendants including a sweeper, gardener and a watchman is to be taken at actual cost to the employer. Where the attendant is provided at the residence of the employee, full cost will be taxed as perquisite in the hands of the employee irrespective of the degree of personal service rendered to him. Any amount paid by the employee for such facilities or services shall be reduced from the above amount.

III Gas, electricity & water: For free supply of gas, electricity and water for household consumption, the rules provide that the amount paid by the employer to the agency supplying the amenity shall be the value of perquisite. Where the supply is made from the employer's own resources, the manufacturing cost per unit incurred by the employer would be taken for the valuation of perquisite. Any amount paid by the employee for such facilities or services shall be reduced from the above amount.

IV Free or concessional education: Perquisite on account of free or concessional education shall be valued in a manner assuming that such expenses are borne by the employee, and would cover cases where an employer is running, maintaining or directly or indirectly financing the educational institution. Any amount paid by the employee for such facilities or services shall be reduced from the above amount. However, where such educational institution itself is maintained and owned by the employer or where such

free educational facilities are provided in any institution by reason of his being in employment of that employer, the value of the perquisite to the employee shall be determined with reference to the cost of such education in a similar institution in or near the locality if the cost of such education or such benefit per child exceeds Rs.1000/- p.m.

V Interest free or concessional loans – It is common practice, particularly in financial institutions, to provide interest free or concessional loans to employees or any member of his household. The value of perquisite arising from such loans would be the excess of interest payable at prescribed interest rate over interest, if any, actually paid by the employee or any member of his household. The prescribed interest rate would now be the rate charged per annum by the State Bank of India as on the 1st day of the relevant financial year in respect of loans of same type and for the same purpose advanced by it to the general public. Perquisite value would be calculated on the basis of the maximum outstanding monthly balance method. For valuing perquisites under this rule, any other method of calculation and adjustment otherwise adopted by the employer shall not be relevant.

However, small loans up to Rs. 20,000/- in the aggregate are exempt. Loans for medical treatment specified in Rule 3A are also exempt, provided the amount of loan for medical reimbursement is not reimbursed under any medical insurance scheme. Where any medical insurance reimbursement is received, the perquisite value at the prescribed rate shall be charged from the date of reimbursement on the amount reimbursed, but not repaid against the outstanding loan taken specifically for this purpose.

VI Use of assets: It is common practice for an asset owned by the employer to be used by the employee or any member of his household. This perquisite is to be charged at the rate of 10% of the original cost of the asset as reduced by any charges recovered from the employee for such use. However, the use of Computers and Laptops would not give rise to any perquisite.

VII Transfer of assets: Often an employee or member of his household benefits from the transfer of movable asset (not being shares or securities) at no cost or at a cost less than its market value from the employer. The difference between the original cost of the movable asset(not being shares or securities) and the sum, if any, paid by the employee, shall be taken as the value of perquisite. In case of a movable asset, which has already been put to use, the original cost shall be reduced by a sum of 10% of such original cost for every completed year of use of the asset. Owing to a higher degree of obsolescence, in case of computers and electronic gadgets, however, the value of perquisite shall be worked out by reducing 50% of the actual cost by the reducing balance method for each completed year of use. Electronic gadgets in this case means data storage and handling devices like computer, digital diaries and printers. They do not include household appliance (i.e. white goods) like washing machines, microwave ovens, mixers, hot plates, ovens etc. Similarly, in case of cars, the value of perquisite

shall be worked out by reducing 20% of its actual cost by the reducing balance method for each completed year of use.

VIII Medical Reimbursement by the employer exceeding RS. 15,000/- p.a. u/s. 17(2)(v) is to be taken as perquisites.

It is further clarified that the rule position regarding valuation of perquisites are given at Section 17(2) of Income Tax Act'61 and at Rule 3 of Income Tax Rules'62. The deductors may look into the above provisions carefully before they determine the perquisite value for deduction purposes.

It is pertinent to mention that benefits specifically exempt u/s 10(13A), 10(5), 10(14), 17 etc. would continue to be exempt. These include benefits like travel on tour and transfer, leave travel, daily allowance to meet tour expenses as prescribed, medical facilities subject to conditions.

5.2 Incomes not included in the Head "Salaries"(Exemptions)

Any income falling within any of the following clauses shall not be included in computing the income from salaries for the purpose of Section 192 of the Act :-

(1) The value of any **travel concession or assistance** received by or due to an employee from his employer or former employer for himself and his family, in connection with his proceeding (a) on leave to any place in India or (b) on retirement from service, or, after termination of service to any place in India is exempt under clause (5) of Section 10 subject, however, to the conditions prescribed in rule 2B of the Income-tax Rules, 1962.

For the purpose of this clause, "family" in relation to an individual means :

(i) The spouse and children of the individual; and

(ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

It may also be noted that the amount exempt under this clause shall in no case exceed the amount of expenses actually incurred for the purpose of such travel.

(2) **Death-cum-retirement gratuity** or any other gratuity which is exempt to the extent specified from inclusion in computing the total income under clause (10) of Section 10. Any death-*cum*-retirement gratuity received under the revised Pension Rules of the Central Government or, as the case may be, the Central Civil Services (Pension) Rules, 1972, or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a

local authority or any payment of retiring gratuity received under the Pension Code or Regulations applicable to the members of the defence service.

Gratuity received in cases other than above on retirement, termination etc is exempt up to the limit as prescribed by the Board.

(3) Any payment in **commutation of pension** received under the Civil Pension(Commutation) Rules of the Central Government or under any similar scheme applicable to the members of the civil services of the Union, or holders of civil posts/posts connected with defence, under the Union,or civil posts under a State, or to the members of the All India Services/Defence Services, or, to the employees of a local authority or a corporation established by a Central,State or Provincial Act, is exempt under sub-clause (i) of clause (10A) of Section 10. As regards payments in commutation of pension received under any scheme of any other employer, exemption will be governed by the provisions of sub-clause (ii) of clause (10A) of section 10. Also, any payment in commutation of pension received from a Regimental Fund or Non-Public Fund established by the Armed Forces of the Union referred to in Section 10(23AAB) is exempt under sub-clause (iii) of clause (10A) of Section 10.

(4) Any payment received by an employee of the Central Government or a State Government, as **cash-equivalent of the leave salary** in respect of the period of earned leave at his credit at the time of his retirement, whether on superannuation or otherwise, is exempt under sub-clause(i) of clause 10AA) of Section 10. In the case of other employees, this exemption will be determined with reference to the leave to their credit at the time of retirement on superannuation, or otherwise, subject to a maximum of ten months' leave. This exemption will be further limited to the maximum amount specified by the Government of India Notification No.S.O.588(E) dated 31.05.2002 at Rs. 3,00,000/- in relation to such employees who retire, whether on superannuation or otherwise, after 1.4.1998.

(5) Under Section 10(10B), the **retrenchment compensation** received by a workman is exempt from income-tax subject to certain limits. The maximum amount of retrenchment compensation exempt is the sum calculated on the basis provided in section 25F(b) of the Industrial Disputes Act, 1947 or any amount not less than Rs.50,000/- as the Central Government may by notification specify in the official gazette, whichever is less. These limits shall not apply in the case where the compensation is paid under any scheme which is approved in this behalf by the Central Government, having regard to the need for extending special protection to the workmen in the undertaking to which the scheme applies and other relevant circumstances. The maximum limit of such payment is Rs. 5,00,000 where retrenchment is on or after 1.1.1997.

(6) Under Section 10(10C), any payment received or receivable (even if received in installments) by an employee of the following bodies at the time of his voluntary retirement or termination of his service, in

accordance with any scheme or **schemes of voluntary retirement** or in the case of public sector company , a scheme of voluntary separation, is exempted from income-tax to the extent that such amount does not exceed five lakh rupees:

a) A public sector company;

b) Any other company;

c) An Authority established under a Central,

State or Provincial Act;

d) A Local Authority;

e) A Cooperative Society;

f) A university established or incorporated or under a Central, State or Provincial Act, or, an Institution declared to be a University under section 3 of the University Grants Commission Act, 1956;

g) Any Indian Institute of Technology within the meaning of Clause (g) of Section 3 of the Institute of Technology Act, 1961;

h) Such Institute of Management as the Central Government may by notification in the Official Gazette, specify in this behalf.

The exemption of amount received under VRS has been extended to employees of the Central Government and State Government and employees of notified institutions having importance throughout India or any State or States. It may also be noted that where this exemption has been allowed to any employee for any assessment year, it shall not be allowed to him for any other assessment year.

(7) Any **sum received under a Life Insurance Policy**, including the sum allocated by way of bonus on such policy other than:

i) any sum received under sub-section (3) of section 80DD or sub-section (3) of section 80DDA or,
ii) any sum received under Keyman insurance policy or,
iii) any sum received under an insurance policy issued on or after 1.4.2003 in respect of which the premium payable for any of the years during the term of the policy exceeds 20 percent of the actual capital sum assured. However, any sum received under such policy on the death of a person would still be exempt.

(8) any **payment from a Provident Fund** to which the Provident Funds Act, 1925 (19 of 1925), applies or from

any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette.

(9) Under Section **10(13A**) of the Income-tax Act, 1961,any special allowance specifically granted to an assessee by his employer to meet **expenditure incurred on payment of rent** (by whatever name called) in respect of residential accommodation occupied by the assessee is exempt from Income-tax to the extent as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations. According to rule 2A of the Income-tax Rules, 1962, the quantum of exemption allowable on account of grant of special allowance to meet expenditure on payment of rent shall be:

(a) The actual amount of such allowance received by an employer in respect of the relevant period; or

(b) The actual expenditure incurred in payment of rent in excess of 1/10 of the salary due for the relevant period; or

(c) Where such accommodation is situated in Bombay, Calcutta, Delhi or Madras, 50% of the salary due to the employee for the relevant period; or

(d) Where such accommodation is situated in any other

place, 40% of the salary due to the employee for the relevant period,

whichever is the least.

For this purpose, "Salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

It has to be noted that only the expenditure actually incurred on payment of rent in respect of residential accommodation occupied by the assessee subject to the limits laid down in Rule 2A, qualifies for exemption from income-tax. Thus, house rent allowance granted to an employee who is residing in a house/flat owned by him is not exempt from income-tax. The disbursing authorities should satisfy themselves in this regard by insisting on production of evidence of actual payment of rent before excluding the House Rent Allowance or any portion thereof from the total income of the employee.

Though incurring actual expenditure on payment of rent is a pre-requisite for claiming deduction under section 10(13A), it has been decided as an administrative measure that salaried employees drawing house rent allowance upto Rs.3000/- per month will be exempted from production of rent receipt. It may, however, be noted that this concession is only for the purpose of tax-deduction at source, and, in the regular assessment of the employee, the Assessing Officer will be free to make such enquiry as he deems fit for the purpose of satisfying himself that the

employee has incurred actual expenditure on payment of rent.

(10) Clause (14) of section 10 provides for exemption of the following allowances :-

(i) Any special allowance or benefit granted to an employee to meet the **expenses incurred in the performance of his duties** as prescribed under Rule 2BB subject to the extent to which such expenses are actually incurred for that purpose.

(ii) Any allowance granted to an employee either to meet his personal expenses at the place of his posting or at the place he ordinarily resides or to **compensate him for the increased cost of living**, which may be prescribed and to the extent as may be prescribed.

However, the allowance referred to in (ii) above should not be in the nature of a personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to his place of posting or residence.

The CBDT has prescribed guidelines for the purpose of clauses (i) and (ii) of Section 10(14) vide notification No.SO617(E) dated 7th July, 1995 (F.No.142/9/95-TPL)which has been amended vide notification SO No.403(E) dt 24.4.2000 (F.No.142/34/99-TPL). The transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of duty is exempt to the extent of Rs.800 per month vide notification S.O.No. 395(E) dated 13.5.98.

(11) Under Section 10(15)(iv)(i) of the Income-tax Act, interest payable by the Government on deposits made by an employee of the Central Government or a State Government or a public sector company out of his retirement benefits, in accordance with such scheme framed in this behalf by the Central Government and notified in the Official Gazette is exempt from income-tax. By notification No.F.2/14/89-NS-II dated 7.6.89, as amended by notification No.F.2/14/89-NS-II dated 12.10.89, the Central Government has notified a scheme called **Deposit Scheme for Retiring Government Employees, 1989** for the purpose of the said clause.

(12) Any scholarship granted to meet the cost of education is not to be included in total income as per subsection (16) of section 10 of Income Tax Act.

(13) Clause (18) of Section 10 provides for exemption of any income by way of pension received by an individual who has been in the service of the Central Government or State Government and has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as may be specifically notified by the Central Government or family pension received by any member of the family of such individual. “Family” for this purpose shall have the meaning assigned to it

in Section 10(5) of the Act. Such notification has been made vide Notifications No.S.O.1948(E) dated 24.11.2000 and 81(E) dated 29.1.2001, which are enclosed as per **Annexure VA & VB.**

(14) Under Section 17 of the Act, exemption from tax will also be available in respect of:-

(a) the value of any **medical treatment** provided to an employee or any member of his family, in any hospital maintained by the employer;

(b) any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or of any member of his family:

(i) in any hospital maintained by the Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees;

(ii) in respect of the prescribed diseases or ailments as provided in Rule 3A(2) of I.T. Rules 1962, in any hospital approved by the Chief Commissioner having regard to the prescribed guidelines as provided in Rule 3(A)(1)of I.T. Rule, 1962 :

(c) premium paid by the employer in respect of medical insurance taken for his employees (under any scheme approved by the Central Government or Insurance Regulatory and Development Authority) or reimbursement of insurance premium to the employees who take medical insurance for themselves or for their family members (under any scheme approved by the Central Government or Insurance Regulatory and Development Authority);

(d) reimbursement, by the employer, of the amount spent by an employee in obtaining medical treatment for himself or any member of his family from any doctor, not exceeding in the aggregate Rs.15,000/- in an year.

(e) As regards medical treatment abroad, the actual expenditure on stay and treatment abroad of the employee or any member of his family, or, on stay abroad of one attendant who accompanies the patient, in connection with such treatment, will be excluded from perquisites to the extent permitted by the Reserve Bank of India. It may be noted that the expenditure incurred on travel abroad by the patient/attendant, shall be excluded from perquisites only if the employee's gross total income, as computed before including the said expenditure, does not exceed Rs.2 lakhs.

For the purpose of availing exemption on expenditure incurred on medical treatment, "hospital" includes a dispensary or clinic or nursing home, and "family" in relation to an individual means the spouse and children of the individual. Family also includes parents, brothers and sisters of the individual if they are wholly or mainly dependent on the individual.

5.3 Deductions u/s 16 of the Act

Entertainment Allowance:

A deduction is also allowed under clause (ii) of section 16 in respect of any allowance in the nature of an entertainment allowance specifically granted by an employer to the assessee, who is in receipt of a salary from the Government, a sum equal to one-fifth of his salary(exclusive of any allowance, benefit or other perquisite) or five thousand rupees whichever is less. No deduction on account of entertainment allowance is available to non-government employees.

Tax On Employment:

The tax on employment (Professional Tax) within the meaning of clause (2) of Article 276 of the Constitution of India, leviable by or under any law, shall also be allowed as a deduction in computing the income under the head "Salaries".

It may be clarified that "Standard Deduction" from gross salary income, which was being allowed up to financial year 2004-05 is not allowable from financial year 2005-06 onwards.

5.4 Deductions under chapter VI-A of the Act

In computing the taxable income of the employee, the following deductions under Chapter VI-A of the Act are to be allowed from his gross total income:

A. As per **section 80C**, an employee will be entitled to deductions for the whole of amounts paid or deposited in the current financial year in the following schemes, **subject to a limit of Rs.1,00,000/**-:

(1) Payment of **insurance premium** to effect or to keep in force an insurance on the life of the individual, the spouse or any child of the individual.

(2) Any payment made to effect or to keep in force a contract for a **deferred annuity**, not being an annuity plan as is referred to in item (7) herein below on the life of the individual, the spouse or any child of the individual, provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;

(3) Any sum deducted from the salary payable by, or, on behalf of the Government to any individual, being a sum deducted in accordance with the conditions of his service for the purpose of securing to him a **deferred annuity** or making provision for his spouse or

children, in so far as the sum deducted does not exceed 1/5th of the salary;

(4) Any contribution made :

(a) by an individual to any **Provident Fund** to which the Provident Fund Act, 1925 applies;

(b) to any provident fund set up by the Central Government, and notified by it in this behalf in the

Official Gazette, where such contribution is to an account standing in the name of an individual, or spouse or children ;

[The Central Government has since notified Public Provident Fund vide Notification S.O. No. 1559(E) dated 3.11.05.]

(c) by an employee to a Recognized Provident Fund;

(d) by an employee to an approved **superannuation fund;**

It may be noted that "contribution" to any Fund shall not include any sums in repayment of loan;

(5) Any subscription :-

(a) to any such **security of the Central Governmen**t or any such **deposit scheme** as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(b) to any such **saving certificates** as defined under section 2(c) of the Government Saving Certificate Act, 1959 as the Government may, by notification in the Official Gazette, specify in this behalf.

[The Central Government has since notified National Saving Certificate (VIII^th Issue) vide Notification S.O. No. 1560(E) dated 3.11.05.]

(6) Any sum paid as contribution in the case of an individual, for himself, spouse or any child,

(a) for participation in the **Unit Linked Insurance Plan, 1971** of the Unit Trust of India;

(b) for participation in any **unit-linked insurance plan of the LIC Mutual Fund** referred to in clause (23D) of section 10 and as notified by the Central Government.

[The Central Government has since notified Unit Linked Insurance Plan (formerly known as Dhanraksha, 1989) of LIC Mutual Fund vide Notification S.O. No. 1561(E) dated 3.11.05.]

(7) Any subscription made to effect or keep in force a contract for such **annuity plan of the Life Insurance Corporation** or any

other insurer as the Central Government may, by notification in the Official Gazette, specify;

[The Central Government has since notified New Jeevan Dhara, New Jeevan Dhara-I, New Jeevan Akshay, New Jeevan Akshay-I and New Jeevan Akshay-II vide Notification S.O. No. 1562(E) dated 3.11.05 and Jeevan Akshay-III vide Notification S.O. No. 847(E) dated 1.6.2006]

(8) Any subscription made to any **units of any Mutual Fund**, referred to in clause(23D) of section 10, or from the Administrator or the specified company referred to in Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002 under any plan formulated in accordance with any scheme as the Central Government, may, by notification in the Official Gazette, specify in this behalf;

[The Central Government has since notified the Equity Linked Saving Scheme, 2005 for this purpose vide Notification S.O. No. 1563(E) dated 3.11.2005]

The investments made after 1.4.2006 in plans formulated in accordance with Equity Linked Saving Scheme, 1992 or

Equity Linked Saving Scheme, 1998 shall also qualify for deduction under section 80C.

(9) Any contribution made by an individual to any **pension fund set up by any Mutual Fund** referred to in clause (23D) of section 10, or, by the Administrator or the specified company referred to in Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

[The Central Government has since notified UTI-Retirement Benefit Pension Fund vide Notification S.O. No. 1564(E) dated 3.11.05.]

(10) Any subscription made to any such deposit scheme of, or, any contribution made to any such pension fund set up by, the **National Housing Bank**, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(11) Any subscription made to any such deposit scheme, as the Central Government may, by notification in the Official Gazette, specify for the purpose of being floated by (a) **public sector companies** engaged in providing long-term finance for construction or purchase of houses in India for residential purposes, or, (b) any authority constituted in India by, or, under any law, enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both.

[The Central Government has since notified the Public Deposit Scheme of HUDCO vide Notification S.O. No.37(E), dated 11.01.2007, for the purposes of Section 80C(2)(xvi)(a)].

(12) Any sums paid by an assessee for the purpose of **purchase or construction of a residential house property**, the income from which is chargeable to tax under the head "Income from house property" (or which would, if it has not been used for

assessee's own residence, have been chargeable to tax under that head) where such payments are made towards or by way of any instalment or part payment of the amount due under any self-financing or other scheme of any Development Authority, Housing Board etc.

The deduction will also be allowable in respect of re-payment of loans borrowed by an assessee from the Government, or any bank or Life Insurance Corporation, or National Housing Bank, or certain other categories of institutions engaged in the business of providing long term finance for construction or purchase of houses in India. Any repayment of loan borrowed from the employer will also be covered, if the employer happens to be a public company, or a public sector company, or a university established by law, or a college affiliated to such university, or a local authority, or a cooperative society, or an authority, or a board, or a corporation, or any other body established under a Central or State Act.

The stamp duty, registration fee and other expenses incurred for the purpose of transfer shall also be covered. Payment towards the cost of house property, however, will not include, admission fee or cost of share or initial deposit or the cost of any addition or alteration to, or, renovation or

repair of the house property which is carried out after the issue of the completion certificate by competent authority, or after the occupation of the house by the assessee or after it has been let out. Payments towards any expenditure in respect of which the deduction is allowable under the provisions of section 24 of the Income-tax Act will also not be included in payments towards the cost of purchase or construction of a house property.

Where the house property in respect of which deduction has been allowed under these provisions is transferred by the tax-payer at any time before the expiry of five years from the end of the financial year in which possession of such property is obtained by him or he receives back, by way of refund or otherwise, any sum specified in section 80C(2)(xviii), no deduction under these provisions shall be allowed in respect of such sums paid in such previous year in which the transfer is made and the aggregate amount of deductions of income so allowed in the earlier years shall be added to the total income of the assessee of such previous year and shall be liable to tax accordingly.

(13) **Tuition fees**, whether at the time of admission or thereafter, paid to any university, college, school or other educational institution situated in India, for the purpose of full-time education of any two children of the employee.

Full-time education includes any educational course offered by any university, college, school or other educational institution to a student who is enrolled full-time for the said course. It is also clarified that full-time education includes play-school activities, pre-nursery and nursery classes.

It is clarified that the amount allowable as tuition fees shall include any payment of fee to any university, college, school or other educational institution in India except the amount

representing payment in the nature of development fees or donation or capitation fees or payment of similar nature.

14) Subscription to **equity shares or debentures forming part of any eligible issue of capital** made by a public company, which is approved by the Board or by any public finance institution.

(15) Subscription to any **units of any mutual fund** referred to in clause (23D) of Section 10 and approved by the Board, if the amount of subscription to such units is subscribed only in eligible issue of capital of any company.

(16) Investment as a **term deposit for a fixed period** of not less than five years with a scheduled bank, which is in accordance with a scheme framed and notified by the Central Government, in the Official Gazette for these purposes.

[The Central Government has since notified the Bank Term Deposit Scheme, 2006 for this purpose vide Notification S.O. No. 1220(E) dated 28.7.2006]

(17) Subscription to such bonds issued by the National Bank for Agriculture and Rural Development, as the Central Government may, by such notification in the Official Gazette, specify in this behalf.

(18) Any investment in an account under the Senior Citizens Savings Scheme Rules, 2004.

(19) Any investment as five year time deposit in an account under the Post Office Time Deposit Rules, 1981.

It may be clarified that the amount of premium or other payment made on an insurance policy [other than a contract for deferred annuity mentioned in sub-para (2)] shall be eligible for deduction only to the extent of 20 percent of the actual capital sum assured. In calculating any such actual capital sum, the following shall not be taken into account:

i) the value of any premiums agreed to be returned, or

ii) any benefit by way of bonus or otherwise over and above the sum actually assured which may be received under the policy.

B. As per **section 80CCC**, where an assessee being an individual has in the previous year paid or deposited any amount out of his income chargeable to tax to effect or keep in force a contract for any **annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension** from the Fund referred to in clause (23AAB) of section 10, he shall, in accordance with, and subject to the provisions of this section, be allowed a deduction in the computation of his total income, of the whole of the amount paid or deposited (excluding interest or bonus accrued or credited to the assessee's account, if any) **as does not exceed the amount of one lakh rupees in the previous year**.

Where any amount paid or deposited by the assessee has been taken into account for the purposes of this section, a rebate/ deduction with reference to such amount shall not be allowed under section 88 up to assessment year 2005-06 and under section 80C from assessment year 2006-07 onwards.

C. As per the provisions of **section 80CCD**, where an assessee, being an **individual employed by the Central Government** on or after the 1st day of January, 2004, has in the previous year **paid or deposited any amount in his account under a pension scheme** as notified **vide Notification No. F.N. 5/7/2003- ECB&PR dated 22.12.2003**, he shall be allowed a deduction in the computation of his total income, of the whole of the amount so paid or deposited as does not exceed ten per cent of his salary in the previous year.

The benefit of new pension scheme has been extended to any other employees (also self employed person) w.r.e.f 1/04/09 and deduction is allowed to employees upto 10% of salary in the previous year and in other cases upto 10% of his gross total income in the previous year. Further it has been specified that w.r.e.f 1/04/09 any amount received by the assessee from the new pension scheme shall be deemed not to have received in the previous year if such amount is used for purchasing an annuity plan in the previous year.

Where any amount standing to the credit of the assessee in his account under such pension scheme, in respect of which a deduction has been allowed as per the provisions discussed above, together with the amount accrued thereon, if any, is received by the assessee or his nominee, in whole or in part, in any financial year,—

(a) on account of closure or his opting out of such pension scheme; or

(b) as pension received from the annuity plan purchased or taken on such closure or opting out,

the whole of the amount referred to in clause (a) or clause (b) above shall be deemed to be the income of the assessee or his nominee, as the case may be, in the financial year in which such amount is received, and shall accordingly be charged to tax as income of that financial year.

For the purposes of deduction under section 80CCD, “salary” includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

The aggregate amount of deduction under sections 80C, 80CCC and 80CCD shall not exceed Rs.1,00,000/- (Section 80CCE)

D. *Section 80D provides for deduction available for health premia paid etc. In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted such sum, as specified below payment of which is made by any mode, other than cash, in the previous year out of his income chargeable to tax.*

Where the assessee is an ***individual,*** *the sum referred to shall be the aggregate of the following, namely:—*

(a) *the whole of the amount paid to effect or to keep in force an insurance on the health of the assessee or his family as does not exceed in the aggregate* ***fifteen thousand rupees;*** *and*

(b) *the whole of the amount paid to effect or to keep in force an insurance on the health of the parent or parents of the assessee as does not exceed in the aggregate* ***fifteen thousand rupees.***

Explanation.—*For the purposes of clause* (a), *"family" means the spouse and dependent children of the assessee.*

Where the assessee is a ***Hindu undivided family,*** *the sum referred to shall be the whole of the amount paid to effect or to keep in force an insurance on the health of any member of that Hindu undivided family as does not exceed in the aggregate* ***fifteen thousand rupees.***

Where the sum specified above is paid to effect or keep in force an insurance on the health of any person specified therein, and who is a ***senior citizen,*** *the deduction available is* ***"twenty thousand rupees"*** *rather than fifteen thousand as specified above.*

Explanation.—*For the above* ***"senior citizen"*** *means an individual resident in India who is of the age of* ***sixty-five years*** *or more at any time during the relevant previous year.*

The insurance referred to above shall be in accordance with a scheme made in this behalf by—

(a) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and approved by the Central Government in this behalf; or

(b) *any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).*]

E. Under **section 80DD**, where an assessee, who is a resident in India, has, during the previous year,-

(a) incurred any **expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability**; or

(b) paid or deposited any amount under a scheme framed in this behalf by the Life Insurance Corporation or any other insurer or the Administrator or the specified company subject to the conditions specified in this regard and approved by the Board in this behalf for the maintenance of a dependant, being a person with disability,

the assessee shall be allowed a deduction of a sum of ***fifty*** thousand rupees from his gross total income of that year.

However, where such dependant is a person with severe disability, an amount of seventy-five thousand rupees shall be allowed as deduction subject to the specified conditions.

The deduction under clause (b) of sub-section (1) shall be allowed only if the following conditions are fulfilled:-

A.(i) the scheme referred to in clause (b) above provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability, in the event of the death of the individual in whose name subscription to the scheme has been made;

(ii) the assessee nominates either the dependant, being a person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of the dependant, being a person with disability.

However, if the dependant, being a person with disability, predeceases the assessee, an amount equal to the amount paid or deposited under sub-para(b) above shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

B. The assessee, claiming a deduction under this section, shall furnish a copy of the certificate issued by the medical authority

in the prescribed form and manner, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed:

In cases where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any subsequent period unless a new certificate is obtained from

the medical authority in the prescribed form and manner and a copy thereof is furnished along with the return of income.

For the purposes of section 80DD,—

(a) "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) ;

(b) "dependant" means—

(i) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;

(ii) in the case of a Hindu undivided family, a member of the Hindu undivided family,dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance, and who has not claimed any deduction under section 80U in computing his total income for the assessment year relating to the previous year;

(c) "disability" shall have the meaning assigned to it in clause (i) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) and includes "autism", "cerebral palsy" and "multiple disability" referred to in clauses (a), (c) and (h) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(d) "Life Insurance Corporation" shall have the same meaning as in clause (iii) of sub-section (8) of section 88;

(e) "medical authority" means the medical authority as referred to in clause (p) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or such other medical authority as may, by notification, be

specified by the Central Government for certifying "autism", "cerebral palsy", "multiple disabilities", "person with disability" and "severe disability" referred to in clauses (a), (c), (h), (j) and (o) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(f) "person with disability" means a person as referred to in clause (t) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or clause (j) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(g) "person with severe disability" means—

(i) a person with eighty per cent or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996); or

(ii) a person with severe disability referred to in clause (o) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

(h) "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002).]

F. Under **Section 80E** of the Act a deduction will be allowed in respect of **repayment of interest on loan taken for higher education**, subject to the following conditions:

(i) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of interest on loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education or for the purpose of higher education of his spouse or children.

(ii) The deduction specified above shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the interest referred to above is paid in full by the assessee , whichever is earlier.

For this purpose -

(a) "approved charitable institution" means an institution established for charitable purposes and approved by the prescribed authority under clause (2C) of section 10, or, an institution referred to in clause (a) of sub-section (2) of Section 80G.

(b) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;

(c) "***higher education" means any course of study pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorised by the Central Government or State Government or local authority to do so***;

(d) "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan.

(e) ***relative", in relation to an individual, means the spouse and children of that individual or the student for whom the individual is the legal guardian***

G. Section **80G** provides for deductions on account of donation made to various funds , charitable organizations etc. Generally **no deduction should be allowed by the D.D.O. from the salary income in respect of any donations made for charitable purposes.** The tax relief on such donations as admissible under section 80G of the Act, will have to be claimed by the tax payer in the return of income. However ***in cases where employees make donations to the Prime Minister's National Relief Fund, the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund through their respective employers, it is not possible for such funds to issue separate certificate to every such employee in respect of donations made to such funds as contributions made to these funds are in the form of a consolidated cheque. An employee who makes donations towards these funds is eligible to claim deduction under section 80G. It is, hereby, clarified that the claim in respect of such donations as indicated above will be admissible under section 80G on the basis of the certificate issued by the Drawing and Disbursing Officer (DDO)/Employer in this behalf - Circular No. 2/2005, dated 12-1-2005.***

H. Under **Section 80GG** of the Act an assessee is entitled to a deduction in respect of **house rent paid by him for his own residence.** Such deduction is permissible subject to the following conditions :-

(a) the assessee has not been in receipt of any House Rent Allowance specifically granted to him which qualifies for exemption under section 10(13A) of the Act;

(b) the assessee files the declaration in Form No.10 BA. **(Annexure-VI)**

(c) He will be entitled to a deduction in respect of house rent paid by him in excess of 10 per cent of

his total income, subject to a ceiling of 25 per cent thereof or Rs. 2,000/- per month, whichever is less. The total income for working out these percentages will be computed before making any deduction under section 80GG.

(d) The assessee does not own:

(i) any residential accommodation himself or by his spouse or minor child or where such assessee is a member of a Hindu Undivided Family, by such family, at the place where he ordinarily resides or performs duties of his office or carries on his business or profession; or

(ii) at any other place, any residential accommodation being accommodation in the occupation of the assessee, the value of which is to be determined under clause (a) of sub section (2) or, as the case may be, clause (a) of sub-section (4) of section 23:

The Drawing and Disbursing Authorities should satisfy themselves that all the conditions mentioned above are satisfied before such deduction is allowed by them to the assessee. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

I. Under **section 80U**, in computing the total income of an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a **person with disability**, there shall be allowed a deduction of a sum of fifty thousand rupees.

However, where such individual is a person with severe disability, a higher deduction of ***one lakh rupees*** shall be allowable.

Every individual claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner along with the return of income, in respect of the assessment year for which the deduction is claimed.

In cases where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any subsequent period unless a new certificate is obtained from the medical authority in the prescribed form and manner and a copy thereof is furnished along with the return of income.

For the purposes of this section, the expressions “disability”, “medical authority”, “person with disability” and “person with severe disability” shall have the same meaning as given in section 80DD (sub-para E of para 5.4 of this Circular).

DDOs to satisfy themselves of the genuineness of claim:

(21) The Drawing and Disbursing Officers should satisfy themselves about the actual deposits/ subscriptions / payments

made by the employees, by calling for such particulars/ information as they deem necessary before allowing the aforesaid deductions. In case the DDO is not satisfied about the genuineness of the employee's claim regarding any deposit/subscription/payment made by the employee, he should not allow the same, and the employee would be free to claim the deduction/ rebate on such amount by filing his return of income and furnishing the necessary proof etc., therewith, to the satisfaction of the Assessing Officer.

6. CALCULATION OF INCOME-TAX TO BE DEDUCTED:

6.1 Salary income for the purpose of Section 192 shall be computed as follow:-

(a) First compute the gross salary as mentioned in para 5.1 excluding all the incomes mentioned in para 5.2;

(b) Allow deductions mentioned in para 5.3 from the figure arrived at (a) above.

(c) Allow deductions mentioned in para 5.4 from the figure arrived at (b) above ensuring that aggregate of the deductions mentioned in para 5.4 does not exceed the figure of (b) and if it exceeds, it should be restricted to that amount.

This will be the amount of income from salaries on which income tax would be required to be deducted. This income should be rounded off to the nearest multiple of ten rupees.

6.2 Income-tax on such income shall be calculated at the rates given in para 2 of this Circular keeping in view the age and gender of the employee.

6.3 The amount of tax payable so arrived at shall be increased by educational cess as applicable (2% for primary and 1% for secondary education) to arrive at the total tax payable.

6.4 The amount of tax as arrived at para 6.3 should be deducted every month in equal installments. Any excess or deficit arising out of any previous deduction can be adjusted by increasing or decreasing the amount of subsequent deductions during the same financial year.

Subject :- Clarification regarding deduction of tax at source from payments of second installment of arrears to Government employees on account of implementation of Sixth Central Pay Commission's recommendations matter regarding.

Under the provisions of Section 192 of the Income-tax Act, an employer is required to deduct tax at source from any payments in the nature of salary, which inter alia also includes any arrear payments. The Implementation Cell of the Department of Expenditure, Govt of India, vide its Office Order dated 30th Aug'08 had stated that 40% of the aggregate arrear (first installment of arrears) would be payable during FY 2008-09. In Circular No. 09/2008 dated 29th Sept.2008 issued from this office it was stated that during 2008-09 the tax has to be deducted at source on this 40% of aggregate arrear during FY 2008-09.The OM,F.No-1//1/2008-IC, of the Implementation Cell of the Department of Expenditure, Govt of India, vide its order dated 25th August,2009 has stated that the remaining 60% of the aggregate arrear (second installment of arrears) would be paid to the concerned Government servants during FY 2009-10. Such arrangements could be followed by State Governments also.

In this regard, all the DDOs and PAOs as the case may be, in the Central/State Government and various organizations under them are advised to compute the correct tax liability of every employee on second installment of arrears drawn by him and immediately recover the full tax liability along with education cess thereon at the rates in force. The deduction of tax at source on such arrear payment should not be deferred in any circumstance. They should further ensure that the tax so recovered is paid to the account of Central Government account immediately as per the Income Tax Rules, 1962. The DDOs/PAOs are further advised that they should ensure that the PAN details of the deductees (recipient of arrears) are correctly quoted in the relevant quarterly e-TDS returns filed by them so that the Government Servants get proper credit of their tax deducted in their respective income tax returns.

DDOs/PAOs who fail to comply with the provisions of Section 192 of the Income-tax Act, 1961 would be liable to pay interest under section 201(1)/(1A) of Income Tax Act along with other penal consequences.

Hindi version will follow.

(Ansuman Pattnaik)
Director (Budget)

Circular No-6/2009 dated 31/08/09 F. No- 275/192/2008-IT(B)

7. MISCELLANEOUS:

7.1 These instructions are not exhaustive and are issued only with a view to helping the employers to understand the various provisions relating to deduction of tax from salaries. Wherever there is any doubt, reference may be made to the provisions of the Income-tax Act, 1961, the Income-tax Rules, 1962 and the Finance Act 2009.

7.2 In case any assistance is required, the Assessing Officer/the local Public Relation Officer of the Income-tax Department may be contacted.

7.3 These instructions may be brought to the notice of all Disbursing Officers and Undertakings including those under the control of the Central/ State Governments.

7.4 Copies of this Circular are available with the Director of Income-tax(Research, Statistics & Publications and Public Relations), 6th Floor, Mayur Bhavan, Indira Chowk, New Delhi-110 001 and at the following websites:

www.finmin.nic.in

www.incometaxindia.gov.in

(A Pattnaik)
Director(Budget)
Central Board of Direct Taxes

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70. The Deputy Finance4 Manager(Hqdr.) Indian Airlines, New Delhi.

71. Manager, State Bank of India, Local Head Office :-

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79. State Bank of Travancore, Post Box No.34, Trivandrum

80. N.S.Branch, Department of Economic Affairs, New Delhi

81. The Editory, 'The Income-tax Reporter' Company Law Institute of India (P) Ltd., 88, Thyagaraja Road, Thyagaraja Nagar, Chennai-600017

82. The Editor, Chartered Secretary, The Institute of Company Secretaries of India, 'ICSI House, 22, Institutional Area, Lodhi Road, New Delhi-110003

83. The Editor, "Taxation" 174, Jorbagh, New Delhi

84. The Editor, "The Tax Law Review" Post Box No.152, Jallandhar-144001

85. The Editor, "Taxmann" Allied Services (P)Ltd., 1871, Kucha Chelan, Khari Baoli, Delhi-110006

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(A Pattnaik)
Director(Budget)
Central Board of Direct Taxes

ANNEXURE-I

Example 1

For Assessment Year 2010-2011

Calculation of Income tax in the case of a male employee having gross salary income of:

i) Rs.2,00,000/- ,
ii) Rs.5,00,000/- and
iii) Rs.10,00,000/-

Particulars	**(Rupees)** (i)	**(Rupees)** (ii)	**(Rupees)** (iii)
Gross Salary Income (Including allowances)	2,00,000/-	5,00,000/-	10,00,000/-
Contribution to G.P.F.	20,000/-	50,000/-	1,00,000/-

Computation of Total Income and tax payable thereon

Gross Salary	2,00,000/-	5,00,000/-	10,00,000/-
Less: Deduction U/s 80C	20,000/-	50,000/-	1,00,000/-
Taxable Income	1,80,000/-	4,50,000/-	9,00,000/-
Tax thereon	**2,000/-**	**41,000/-**	**1,71,000/-**
Add:			
Education Cess @2%	40/-	820/-	3,420/-
Secondary and Higher Education Cess @1%	20/-	410/-	1,710/-
Total tax payable	**2,060/-**	**42,230/-**	**1,76,130/-**

Example 2

For Assessment Year 2010-2011

Calculation of Income Tax in the case of a male employee having a handicapped dependent.

Particulars:

1.	Gross Salary	Rs.3,20,000/-
2.	Amount spent on treatment of a dependant, being person with disability(but not severe disability)	Rs. 7,000/-
3.	Amount paid to LIC with regard to annuity for the maintenance of a dependant, being person with disability(but not severe disability)	Rs. 50,000/-
4.	GPF Contribution	Rs. 25,000/-
5.	LIP Paid	Rs. 10,000/-

Computation of Tax

Gross Salary		Rs.3,20,000/-
Less: Deduction U/s 80DD (Restricted to Rs.50,000/- only)		Rs. 50,000/-
Taxable Income		Rs.2,70,000/-
Less: Deduction u/s 80C:		
GPF	25,000/-	
LIP	10,000/-	
Total	35,000/-	35,000/-
Total Income		**Rs. 2,35,000/-**
Income Tax thereon/payable		**Rs. 7,500/-**
Add:		
Education Cess @2%		150/-
Secondary and Higher Education Cess @1%		75/-
Total Income Tax payable		**Rs. 7,725/-**
Rounded off to		**Rs. 7,730/-**

Example 3

For Assessment Year 2010-2011

Calculation of Income Tax in the case of a male employee where medical treatment expenditure was borne by the employer.

Particulars:

1.	Gross Salary	Rs.3,00,000/-
2.	Medical Reimbursement by employer on the treatment of self and dependent family member	Rs. 30,000/-
3.	Contribution of GPF	Rs. 20,000/-
4.	LIC premium	Rs. 20,000/-
5.	Repayment of House Building Advance	Rs. 25,000/-
6.	Tuition fees for two children	Rs. 60,000/-
7.	Investment in Unit-Linked Insurance Plan	Rs. 20,000/-

Computation of Tax

Gross Salary		Rs.3,00,000/-
Add: Perquisite in respect of reimbursement of Medical Expenses in excess of Rs.15,000/- in view of Sec. 17(2)(v)		Rs. 15,000/-
Taxable Income		Rs.3,15,000/-
Less: Deduction u/s 80C:		
GPF	20,000/-	
LIC	20,000/-	
Repayment of HBA	25,000/-	
Tuition Fees	60,000/-	
Investment in Unit-Linked Insurance Plan	20,000/-	
Total	1,45,000/-	
Restricted to Rs. 1,00,000/-		Rs. 1,00,000
Total Income:		**Rs. 2,15,000/-**
Tax Payable		Rs. 5,500/-
Add:		
Education Cess @2%		110/-
Secondary and Higher Education Cess @1%		55/-
Total Income Tax payable		**Rs. 5665/-**
Rounded off to		**Rs. 5660/-**

Example 4

For Assessment Year 2010-2011

Illustrative calculation of House Rent Allowance U/s 10 (13A)in respect of residential accommodation situated in Delhi in case of a female employee:

PARTICULARS

1.	Salary	Rs.2,50,000/-
2.	Dearness Allowance	Rs.1,00,000/-
3.	House Rent Allowance	Rs.1,40,000/-
4.	House rent paid	Rs.1,44,000/-
5.	General Provident Fund	Rs. 36,000/-
6.	Life Insurance Premium	Rs. 4,000/-
7.	Subscription to Unit-Linked Insurance Plan	Rs. 50,000/-

Computation of total income and tax payable thereon

1.	Salary + D.A.	Rs.3,50,000/-
	House Rent Allowance	Rs.1,40,000/-
2.	Total Salary income	Rs.4,90,000/-
3.	Less: House Rent allowance exempt U/s 10(13A):**Least of:** a. Actual amount of HRA received=1,40,000 b. Expenditure of rent in excess of 10% of salary (including D.A. presuming that D.A. is taken for retirement benefit) (1,44,000-35,000) =1,09,000 c.50% of Salary(Basic+ DA)= Rs.1,75,000	Rs.1,09,000/-
	Gross Total Income:	Rs.3,81,000/-
	Less: Deduction u/s 80C: GPF :36,000/- LIC : 4,000/- Subscription to Unit Linked Insurance Plan : 50,000/- Total: : 90,000	Rs. 90,000/-
	Total Income:	Rs.2,91,000/-
	Tax payable on total income	Rs. 10,100/-
	Add:	
	Education Cess @2%	202/-
	Secondary and Higher Education Cess @1%	101/-
	Total Income Tax payable	**Rs. 10,403/-**
	Rounded off to	**Rs. 10,400/-**

Example 5

For Assessment Year 2010-2011

Illustrating valuation of perquisite and calculation of tax in the case of a male employee of a private company in Mumbai who was provided accommodation in a flat at concessional rate for ten months and in a hotel for two months.

1.	Salary	:	Rs.7,00,000/-
2.	Bonus	:	Rs.1,40,000/-
3.	Free gas, electricity, water etc. (Actual bills paid by company		Rs 40,000
4(b)	Hotel rent paid by employer (for two months)	:	Rs.1,00,000/-
4(c)	Rent recovered from employee	:	Rs. 60,000/
4(d)	Cost of furniture	:	Rs.2,00,000/-
5.	Subscription to Unit Linked Insurance Plan	:	Rs. 50,000/-
6.	Life Insurance Premium	:	Rs. 10,000/-
7.	Contribution to recognized P.F.	:	Rs. 42,000/-

COMPUTATION OF TOTAL INCOME AND TAX PAID THEREON:

1.	Salary	:	Rs. 7,00,000/-
2.	Bonus	:	Rs. 1,40,000/-
	Total Salary for Valuation of Perquisite ie; Rs.70,000 per month	:	Rs. 8,40,000/-

Valuation of perquisites

(a)	Perq. for flat: Lower of (15% of salary for ten months=Rs.1,05,000/-) and (actual rent paid=3,60,000)	:	Rs. 1,05,000/-
(b)	Perq. for hotel Lower of (24% of salary of 2 mths=33,600) and (actual payment=1,00,000)	:	Rs. 33,600/-
(c)	Perq for furniture @ 10% of cost	:	Rs. 20,000/-
			Rs. 1,58,600/-
Less:	Rent recovered from employee	:	Rs. 60,000/-
			Rs. 98,600/-
(d)	Add perq. for free gas, elec. water	:	Rs. 40,000/-
	Total perquisites:	:	**Rs. 1,38,600/-**

Gross Total Income (8,40,000+1,38,600)		Rs. 9,78,600/-
Less: Deduction u/s 80C:		
Provident Fund	:42,000	
LIC	:10,000	
Subscription to Unit Linked Insurance Plan	:50,000/-	
Total:	Rs.1,02,**000/-**	
		Rs.1,00,000/-
Total Income		Rs. 8,78,600/-
Tax Payable		**Rs. 1,64,580/-**
Add:		
Surcharge		Nil
Education Cess @2%		3,291.6/-
Secondary and Higher Education Cess @1%		1,645.8/-
Total Income Tax payable		**Rs. 1,69,517.4/-**
		Rounded off to Rs. 1,69,520/-

Example 6

For Assessment Year 2010-2011

Illustrating Valuation of perquisite and calculation of tax in the case of a female employee of a Private Company posted at Delhi and repaying House Building Loan.

Particulars:

1.	Salary	: Rs.3,00,000/-
2.	Dearness Allowance	: Rs.1,00,000/-
3.	House Rent Allowance	: Rs.1,80,000/-
4.	Special Duties Allowance	: Rs. 12,000/-
5.	Provident Fund	: Rs. 60,000/-
6.	LIP	: Rs. 10,000/-
7.	Deposit in NSC VIII issue	: Rs. 30,000/-
8.	Rent Paid by the employee for house hired by her	: Rs. 1,20,000/-
9.	Repayment of House Building Loan (Principal)	: Rs. 60,000/-
10.	Tuition Fees for three children (Rs.10,000/- per child)	: Rs. 30,000/-

Computation of total income and tax payable thereon

1.	Gross salary (Basic+DA+HRA+SDA)	:	5,92,000/-
	Less: House rent allowance exempt U/s 10 (13A)		
	Least of:		
	a. Actual amount of HRA received	: 1,80,000	
	b. Expenditure on rent in excess of 10% of salary (Including D.A.)assuming D.A. is including for retirement benefits (1,20,000- 40,000)	: 80,000	
	c.50% of salary (including D.A)	: 2,00,000	(-) 80,000/-
	Gross Total Taxable Income :		5,12,000/-
	Less: Deduction u/s 80C:		
	i. Provident Fund	: 60,000	
	ii. LIP	: 10,000	
	iii. NSC VIII Issue	: 30,000	
	iv. Repayment of HBA	: 60,000	
	v. Tuition Fees (Restricted to two children)	: 20,000	
	Total	: 1,80,000	
	Restricted to		**1,00,000/-**
	Total Income :		**4,12,000/-**
	Tax Payable		**33,400/-**
	Add:		
	Education Cess @2%		668
	Secondary and Higher Education Cess @1%		334
	Total Income Tax payable		**Rs.** 34,068

Rounded off to Rs.34,070

ANNEXURE-II

FORM NO.12BA
{See rule 26A(2)(b)}

Statement showing particulars of perquisites, other fringe benefits or amenities and profits in lieu of salary with value thereof

1) Name and address of employer :

2) TAN

3) TDS Assessment Range of the employer :

4) Name, designation and PAN of employee :

5) Is the employee a director or a person with :
substantial interest in the company
(where the employer is a company)

6) Income under the head "Salaries" of the employee :
(other than from perquisites)

7) Financial Year :

8) Valuation of Perquisites

S.No	Nature of perquisite (see rule 3)	Value of perquisite as per rules (Rs.)	Amount, if any recovered from the employee (Rs.)	Amount of perquisite chargeable to tax Col(3) - Col(4) (Rs.)
(1)	(2)	(3)	(4)	(5)
1	Accommodation			
2	Cars/Other automotive			
3	Sweeper, gardener, watchman or personal attendant			
4	Gas, electricity, water			
5	Interest free or concessional loans			
6	Holiday expenses			
7	Free or concessional travel			
8	Free meals			
9	Free Education			
10	Gifts, vouchers etc.			
11	Credit card expenses			
12	Club expenses			
13	Use of movable assets by employees			
14	Transfer of assets to employees			
15	Value of any other benefit/amenity/service/privilege			
16	Stock options (non-qualified options)			
17	Other benefits or amenities			
18	Total value of perquisites			
19	Total value of Profits in lieu of			

	salary as per 17(3)			

9. Details of tax, -
   (a) Tax deducted from salary of the employee u/s 192(1) ………
   (b) Tax paid by employer on behalf of the employee u/s 192(1A) ………
   (c) Total tax paid ………
   (d) Date of payment into Government treasury ………

DECLARATION BY EMPLOYER

I ………………. s/o …………………. working as ……………………………(designation) do hereby declare on behalf of ……………..….. (name of the employer) that the information given above is based on the books of account, documents and other relevant records or information available with us and the details of value of each such perquisite are in accordance with section 17 and rules framed thereunder and that such information is true and correct.

Signature of the person responsible
for deduction of tax

Place…
Date…

Full Name ……………………
Designation …………………. ";

ANNNEXURE-III

FORM NO. 16AA

[See third proviso to rule 12(1)(b) and rule 31(1)(a)]

Certificate for tax deducted at source from income chargeable under the head "Salaries"-cum-Return of income

For an individual, resident in India, where-

a) his total income includes income chargeable to income-tax under the head 'Salaries';
b) the income from salaries before allowing deductions under section 16 of the Income-tax Act, 1961 does not exceed rupees one lakh fifty thousand;
c) his total income does not include income chargeable to income-tax under the head 'Profits and gains of business or profession' or 'Capital gains' or agricultural income; and
d) he is not in receipt of any other income from which tax has been deducted at source by any person other than the employer

<table>
<tr><td colspan="3">Name and address of the Employer

--</td><td colspan="2">Name and designation of the Employee

------------------------------------</td></tr>
<tr><td>PAN/GIR NO.</td><td colspan="2">TAN</td><td colspan="2">PAN/GIR NO.</td></tr>
<tr><td>TDS Circle where annual Return /statement under section 206 is to be filed</td><td colspan="3">Period</td><td rowspan="3">Assessment year ……………..</td></tr>
<tr><td rowspan="2"></td><td colspan="2">FROM</td><td>TO</td></tr>
<tr><td colspan="2"></td><td></td></tr>
</table>

DETAILS OF SALARY PAID AND ANY OTHER INCOME AND TAX DEDUCTED

1. Gross salary			
(a) Salary as per provisions contained in section 17(1)	Rs. ………………		
(b) Value of perquisites under section 17(2) (as per Form no. 12BA, wherever applicable)	Rs. ………………		
(c) Profits in lieu of salary under section 17(3) (as per Form No. 12BA, wherever applicable)	Rs. ………………		
(d) Total		Rs. ________	
2. Less: Allowance to the extent exempt under section 10	Rs. ………………		
	Rs. ………………		
	Rs. ………………	Rs. ________	
3. Balance (1-2)		Rs. _____	

4. Deductions under section 16:			
a) Standard deduction	Rs. ………………		
b) Entertainment allowance	Rs. ………………		
c) Tax on Employment	Rs. ………………		
5. Aggregate of 4 (a) to (c)		Rs. ______	
6. Income chargeable under the head 'Salaries'			
7. Add: Any other income reported by the employee			
(a) Income under the Head 'Income from House Property'			
(b) Income under the Head 'Income from Other Sources'			
(c) Total of (a) + (b) above			Rs. ______
8. GROSS TOTAL INCOME (6+7)			
9. DEDUCTIONS UNDER CHAPTER VI-A			

	GROSS AMOUNT	QUALIFYING AMOUNT	DEDUCTIBLE AMOUNT	
a) 80 CCC	Rs. ………………	Rs. ……………		
b) 80 D	Rs. ………………	Rs. ……………		
c) 80 E	Rs. ………………	Rs. ……………		
d) 80 G	Rs. ………………	Rs. ……………		
e) 80 L	Rs. ………………	Rs. ……………		
f) 80 QQB	Rs. ………………	Rs. ……………		
g) 80 RRB	Rs. ………………	Rs. ……………		
h) SEC	Rs. ………………	Rs. ……………		
10. Aggregate of deductible amounts under Chapter VI-A				
11. TOTAL INCOME (8-10)				
12. TAX ON TOTAL INCOME				

13. REBATE UNDER CHAPTER VIII				
I. Under section 88 (please specify)	GROSS AMOUNT	QUALIFYING AMOUNT	TAX REBATE	
(a)	Rs. ……………	Rs. ………………	……	

(b)	Rs.	Rs.	....		
(c)	Rs.	Rs.	....		
(d)	Rs.	Rs.	....		
(e)	Rs.	Rs.	....		
(f)	Rs.	Rs.	....		
(g) Total[(a) to (f)]	Rs.	Rs.			
II. (a) under section 88B					
(b) under section 88C					
(c) under section 88D					
14. Aggregate of tax rebates at 13 above [I(g)+II(a)+II(b)+II(c)]					
15. Tax payable on total income (12-14) and surcharge thereon					
15A. Education cess.					
16. Less: Relief under section 89(attach details)					
17. Balance Tax payable(15+15A-16)					
18. Less:					
(a) tax deducted at source under section 192(1)					
(b) Tax paid by the employer on behalf of the employee under section 192(1A) on perquisites under section 17(2)					
19. Tax payable/refundable (17-18)					

DETAILS OF TAX DEDUCTED AND DEPOSITED INTO CENTRAL GOVERNMENT ACCOUNT

S.No.	TDS (Rs.)	Surcharge (Rs.)	**Education Cess (Rs.)**	**Total Tax Deposited (Rs.)**	**Cheque/ DD No. (if any)**	**BSR Code of Bank Branch**	**Date on which tax deposited (DD/MM/YY)**	Transfer Voucher /Challan Identification No.
1.								
2.								
3.								

I ________________________ son of Shri ______________________ working in the capacity of ____________________ (designation) do hereby certify that a sum of Rupees___________________________________ (in words) has been deducted at source and paid to the credit of the Central Government. I further certify that the information given above is true and correct based on the books of account, documents and other available records.

Place ---------------------

Date ---------------------

Signature of the person responsible for deduction of tax

Full Name

Designation

TO BE FILLED IN BY THE ASSESSEE

1. NAME OF THE ASSESSEE

2. ADDRESS

PIN TELEPHONE

3. DATE OF BIRTH - -

4. SEX M/F:

5. ASSESSMENT YEAR -

6. WARD/CIRCLE/SPECIAL RANGE:

7. RETURN : ORIGINAL OR REVISED:

8. PARTICULARS OF BANK ACCOUNT(for payment of refund)

Name of the Bank	MICR Code	Address of Bank Branch	Type of Account	Account Number	ECS (Y/N)

VERIFICATION BY THE ASSESSEE

I , ____ (Name in full and in block letters), son/daughter of Shri ____ solemnly declare that to the best of my knowledge and belief, the information given in this return is correct, complete and truly stated and in accordance with the provisions of the Income-tax Act, 1961, in respect of income chargeable to income-tax for the previous year relevant to the assessment year ___________.

Receipt No……………… Date……………
SEAL
Signature of the receiving official

Signature of the assessee

Date: _____________

Place: _____________

ANNNEXURE-IV

[TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY PART-II SECTION 3, SUB-SECTION (ii)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
(CENTRAL BOARD OF DIRECT TAXES)
******

New Delhi, the 26th August, 2003

NOTIFICATION
INCOME-TAX

S.O. 974 (E)- In exercise of the powers conferred by sub-section (2) of section 206 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby specifies the following Scheme for electronic filing of return of tax deducted at source, namely:-

1. Short title, commencement and application. -

(1) This Scheme may be called the "Electronic Filing of Returns of Tax Deducted at Source Scheme, 2003".
(2) It shall come into force on the date of its publication in the Official Gazette.
(3) It shall be applicable to all persons filing returns of tax deducted at source on computer media under sub-section (2) of section 206 of the Income-tax Act, 1961.

2. Definitions. - In this Scheme, unless the context otherwise requires,-

(1) "Act" means the Income-tax Act, 1961 (43 of 1961);
(2) "Board" means the Central Board of Direct Taxes constituted under the Central Board of Revenues Act, 1963 (54 of 1963);
(3) "computer media" means a floppy (3 ½ inch and 1.44 MB capacity) or CD-ROM, and includes on-line data transmission of electronic data to a server designated by e-filing Administrator for this purpose;
(4) "e-deductor" means the person responsible for deduction of tax at source who is required to furnish e-TDS Return under this scheme;
(5) "e-filing Administrator" means an officer not below the rank of Commissioner of Income-tax designated by the Board for the purpose of administration of this scheme;
(6) "e-TDS Intermediary" means a person, being a company, authorised by the Board to act as e-TDS Intermediary under this scheme;
(7) "e-TDS Return" means a return to be filed under section 206 of the Act duly supported by a declaration in Form No. 27A as prescribed under the Rules;
(8) "Rules" means the Income-tax Rules, 1962;
(9) All other words and expressions used herein but not defined and defined in the Act shall have the meanings respectively assigned to them in the Act.

3. Preparation of e-TDS Return. –

(1) The e-deductor shall use the relevant Forms prescribed under the Rules for preparing e-TDS Returns.
(2) The e-deductor shall prepare his e-TDS Return according to the data structure to be provided by the e-filing Administrator.
(3) While preparing e-TDS Return, the e-deductor shall quote his permanent account number and tax deduction account number as also the permanent account number of all persons in respect of whom tax has been deducted by him except in respect of cases to which the first proviso to sub-section (5A) or the second proviso to sub-section (5B) of section 139A of the Act applies.

(4) The e-deductor shall ensure that all columns of the Forms of the return for tax deduction at source, prescribed under the Rules, are duly and correctly filled in.

(5) Each computer media used for preparation of the e-TDS Return shall be affixed with a label indicating name, permanent account number, tax deduction account number and address of the e-deductor, the period to which the return pertains, the Form Number of the return and the volume number of the said media in case more than one volume of such media is used.

(6) Separate computer media shall be used for each Form of e-TDS Return by the e-deductor.

4. Furnishing of e-TDS Return.-

(1) The e-deductor shall furnish e-TDS Return on computer media to the e-TDS Intermediary duly supported by a declaration in Form No.27A, as prescribed in the Rules, in paper format:

Provided that in case any compression software has been used by the e-deductor for preparing the e-TDS Return, he shall also furnish such compression software alongwith the e-TDS Return on the same computer media.

(2) In case the e-deductor has on-line connectivity with the server of the e-TDS Intermediary, as may be designated by e-filing Administrator for this purpose, he may transmit the electronic data of the e-TDS Return directly to such server and send Form No. 27A on paper format separately to the e-TDS Intermediary.

5. Procedure to be followed by e-TDS intermediary. –

(1) The e-TDS Intermediary shall receive the e-TDS Return from e-deductors alongwith the declaration in Form No. 27A in paper format.

(2) The e-TDS Intermediary shall perform format level validation and control checks on the e-TDS Returns received by him and on successful completion of the same, the e-filing Administrator shall issue provisional receipt to the e-deductor.

(3) The e-TDS Intermediary shall upload the data on e-TDS Return on the server designated by the e-filing Administrator for the purpose of e-TDS Return and check whether the prescribed particulars relating to deposit of the tax deducted at source in bank and the permanent account number of the deductee have been given in the e-TDS Return.

(4) On successful completion of the check, the data of e-TDS Return shall be transmitted by the e-TDS Intermediary to the e-filing Administrator together with the declaration in Form No.27A and the provisional receipt issued shall be deemed to be the acknowledgement of the e-TDS Return.

(5) Where the details of deposit of tax deducted at source in bank, the permanent account number, tax deduction account number or any other relevant details are not given in the e-TDS Return, the e-filing Administrator shall forward a deficiency memo to the e-deductor with a request to remove the deficiencies within seven days of receipt of the same.

(6) In case the deficiency indicated in the deficiency memo is removed within seven days, the data on e-TDS Return shall be transmitted by the e-TDS Intermediary to the e-filing Administrator and the provisional receipt shall be deemed to be acknowledgement of the e-TDS Return. The date of issue of provisional receipt shall be deemed to be the date of filing of the e-TDS Return.

(7) In case no deficiency memo is issued by the e-filing Administrator within thirty days of issue of the provisional receipt, the provisional receipt issued shall be deemed to be the acknowledgement of the e-TDS Return and the date of issue of provisional receipt shall be deemed to be the date of filing of e-TDS Return.

(8) Where the deficiencies indicated in the deficiency memo are not removed by the e-deductor within seven days, the e-TDS Intermediary shall communicate the same to the e-filing Administrator and transmit the data to the e-filing Administrator whereupon Assessing Officer may take action for declaring the return as an invalid return after giving due opportunity to the deductor as required under sub-section (4) of section 206 of the Act.

(9) In case the defects intimated by the Assessing Officer are rectified within the period of fifteen days or such further period as may be allowed by the Assessing Officer, the date of issue of provisional receipt shall be deemed to be the date of filing of e-TDS Return.

6. General responsibilities of e-TDS Intermediary. –

(1) The e-TDS Intermediary shall ensure accurate transmission of the e-TDS Return to the e-filing Administrator:

Provided that the e-TDS Intermediary shall not be responsible for any errors or omissions in the return of tax deducted at source prepared by the e-deductor.

(2) The e-TDS Intermediary shall retain for a period of one year from the end of the relevant financial year in which the return is required to be filed, the electronic data of the TDS Return in the format as specified by the e-filing Administrator.

(3) The e-TDS Intermediary shall retain for a period of one year from the end of the relevant financial year in which the return is required to be filed, the information relating to deficiency memo and provisional receipts issued in respect of the returns filed through it.

(4) The e-TDS Intermediary shall ensure confidentiality of information that comes to his possession during the course of implementation of this scheme, save with the permission of the e-deductor, Assessing Officer or e-filing Administrator.

(5) The e-TDS Intermediary shall ensure that all his employees, agents, franchisees, etc., adhere to all provisions of this scheme as well as all directions issued by the e-filing Administrator.

7. Powers of e-filing Administrator. - Without affecting the generality of the foregoing provisions, the e-filing Administrator shall -

(1) specify the procedures, data structures, formats and standards for ensuring secure capture and transmission of data, for the day to day administration of this scheme;

(2) ensure compliance by e-TDS Intermediary with the technical requirements of this scheme, including review of the functioning of e-return Intermediary, verification of any complaints, scrutinising advertising material issued by them and such other matters as he deems fit.

8. Powers of the Board: The Board may revoke the authorisation of an e-filing Intermediary on grounds of improper conduct, misrepresentation, unethical practices, fraud or established lack of service to the e-deductors or such other ground as it may deem fit.

Notification No.205/2003.

F. No. 142/31/2003-TPL

(Deepika Mittal)
Under Secretary to the Government of India

ANNEXURE-IV A

MINISTRY OF FINANCE
(Department of Economic Affairs)
(ECB & PR Division)

NOTIFICATION
New Delhi, the 22nd December, 2003

F.No. 5/7/2003-ECB &PR- The government approved on 23rd August, 2003 the proposal to implement the budget announcement of 2003-04 relating to introducing a new restructured defined contribution pension system for new entrants to Central Government service, except to Armed Forces, in the first stage, replacing the existing system of defined benefit pension system.

(i) The system would be mandatory for all new recruits to the Central Government service from 1st of January 2004 (except the armed forces in the first stage). The monthly contribution would be 10 percent of the salary and DA to be paid by the employee and matched by the Central government. However, there will be no contribution form the Government in respect of individuals who are not Government employees. The contribution and investment returns would be deposited in a non-withdrawable pension tier-I account. The existing provisions of defined benefit pension and GPF would not be available to the new recruits in the Central Government service.

(ii) In addition to the above pension account, each individual may also have a voluntary tier-II withdrawable account at his option. This option is given as GPF will be withdrawn for new recruits in Central government service. Government will make no contribution into this account. These assets would be managed through exactly the above procedures. However, the employee would be free to withdraw part or all of the 'second tier' of his money anytime. This withdrawable account does not constitute pension investment, and would attract no special tax treatment.

(iii) Individuals can normally exit at or after age 60 years for tier-I of the pension system. At the exit the individual would be mandatorily required to invest 40 percent of pension wealth to purchase an annuity (from an IRDA- regulated life insurance company). In case of Government employees the annuity should provide for pension for the lifetime of the employee and his dependent parents and his spouse at the time of retirment. The individual would received a lump-sum of the remaining pension wealth, which he would be free to utilize in any manner. Individuals would have the flexibility to leave the pension system prior to age 60. However, in this case, the mandatory annuitisation would be 80% of the pension wealth.

Architecture of the new Pension System

(iv) It will have a central record keeping and accounting (CRA) infrastructure, several pension fund managers (PFMs) to offer three categories of schemes viz. option A, B and C.

(v) The participating entities (PFMs and CRA) would give out easily understood information about past performance, so that the individual would be able to make informed choices about which scheme to choose.

2. The effective date for operationalization of the new pension system shall be form 1st of January, 2004.

U.K. SINNHA, Jt. Secy.

ANNEXURE-V A

MINISTRY OF FINANCE
(Department of Revenue)
(Central Board of Direct Taxes)
Notification

New Delhi, the 24th November, 2000

INCOME- TAX

S.O.1048 (E) - In exercise of the powers conferred by sub-clause (i) of clause (18) of Section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government, hereby specifies the gallantry awards for the purposes of the said Section, mentioned in column 2 of the table below awarded in the circumstances as mentioned in corresponding column 3 thereof:-

Table

Sl. No.	Name of gallantry award	Circumstances for eligibility
(1)	(2)	(3)
1.	Ashok Chakra	When awarded to Civilians for gallantry
2.	Kirti Chakra	- do -
3.	Shaurya Chakra	- do -
4.	Sarvottan Jeevan Raksha Padak	When awarded to Civilians for bravery displayed by them in life saving acts.
5.	Uttam Jeevan Raksha Medal	- do -
6.	Jeevan Raksha Padak	- do -
7.	President's Police Medal for gallantry	When awarded for acts of exceptional courage displayed by members of police forces, Central police or security forces and certified to this effect by the head of the department concerned.
8.	Police Medal for Gallantry	- do -
9.	Sena Medal	When awarded for acts of courage or conspicious gallantry and supported by certificate issued to this effect by relevant service headquarters.
10.	Nao Sena Medal	- do -
11.	Vayu Sena Medal	- do –
12.	Fire Secrvices Medal for Gallantry	When awarded for acts of courage or conspicuous gallantry and supported by certificate issued to this effect by the last Head of Department.
13.	President’s Police & Fire Services Medal for Gallantry	-do-
14.	President’s Fire Services Medal for Gallantry	-do-
15.	President’s Home Guards and Civil Defence Medal for Gallantry	-do-
16.	Home Guard and Civil Defence Medal for Gallantry	-do-

(Notification no. 1156/F.No. 142/29/99-TPL)

T.K. SHAH
Director

ANNEXURE V B

MINISTRY OF FINANCE
Department of Revenue
Central Board of Direct Taxes

New Delhi,the 29th January,2001

S.O.81(E)- In exercise of the powers conferred by sub-clause (i) of clause (18) of Section 10 of the Income –tax Act, 1961 (43 of 1961)), the Central Government, hereby specifies the gallanty awards for the purposes of the said Section and for that purpose makes the following amendment in the notification of the Government of India in the Ministry of Finance, Department of Revenue (Central Board of Direct Taxes) number S.O.1048(E), dated the 24th November 2000, namely:-

In the said notification, in the Table, against serial numbers 1,2 and 3 under cloumn (3) relating to "Circumstances for eligibility" **the words** "to civilians" shall be omitted.

(Notification No.22/F.No.142/29/99-TPL)

T.K. SHAH
Director

ANNEXURE-VI

FORM NO. 10BA
(See rule 11B)
DECLARATION TO BE FILED BY THE ASSESSEE
CLAIMING DEDUCTION U/S 80 GG

I/We……………………………………………………………

(Name of the assessee with permanent account number)

do hereby certify that during the previous Year…………I/We had occupied the premise………………………….(full address of the premise) for the purpose of my/our own residence for a period of…………………..months and have paid Rs. ………………. In cash/through crossed cheque, bank draft towards payment of rent to Shri/Ms/M/s……………………….(name and complete address of the landlord).

It is further certified that no other residential accommodation is owned by

(a) me/my spouse/my minor child/our family (in case the assessee is HUF), at ………………….where I/we ordinarily reside/perform duties of officer or employment or carry on business or profession, or

(a) me/us at any other place, being accommodation in my occupation, the value of which is to be determined u/s 23(2)(a)(i) of u/s 23(2)(b).

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